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France	FFr7.00	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.50	Sweden	SKr13
Greece	Dr200	Morocco	MDH10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht60
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din1.000
India	Rs28	Norway	NKr13.00	Turkey	L3500
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh6.60

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,420

Friday April 5 1991

D 8523A

EUROPE
Getting ready for car wars
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World News

East German privatisation agency needs DM400bn

Germany's Treuhand agency, which supervises state-owned enterprise in the east, will need about DM400bn ($235bn) by the year 2000 if it is to give priority to restructuring rather than closing ailing companies, according to the Finance Ministry. Page 14

Mass Hindu rally

India's Hindu revivalist movement organised one of the largest rallies in New Delhi since independence, thereby boosting enormously the general election prospects of the Hindu Bharatiya Janata Party (BJP). Page 14

Tutu urges review

Archbishop Desmond Tutu, South Africa's most vocal black rights campaigner, urged anti-apartheid leaders to review the need for sanctions.

Brussels climbdown

The European Commission, after facing strong opposition, has watered down proposals for industrial sites to publish annual audits of environmental performance. Page 2

Hong Kong warning

A UN panel of jurists is urging Britain to ensure that human rights in Hong Kong are fully safeguarded after the territory reverts to Chinese sovereignty in 1997. Page 4

Army goes it alone

Yugoslavia's federal army appears to be distancing itself from the country's politicians by intervening in the western republic of Croatia. Page 2

Guatemalans to talk

Guatemalan government officials and left-wing guerrillas will hold direct peace talks this month for the first time in the 30-year civil war.

New Zealand protest

About 100,000 New Zealanders took part in angry anti-government demonstrations in what police said was the nastiest protest since the 1981 Springbok tour. Page 4

Opposition merger

Kim Dae Jung, leader of South Korea's largest opposition party, said his party will merge with another dissident group. Page 4

Push for democracy

Leading members of Indonesia's religious and intellectual communities are launching a movement to push for greater democracy. Page 4

President sworn in

President Nicephore Soglo was inaugurated as Benin's first democratically elected leader in more than two decades.

Nuclear shutdown

A faulty pump caused an automatic shut-down at a nuclear power plant near Tokyo.

Pressure for inquiry

Human rights group Amnesty International called on Mauritania to investigate reports into the death in custody of up to 200 political prisoners.

Safari park planned

China plans to build what it says will be east Asia's first safari park to house lions, tigers, bears, elephants and zebras.

Weekend FT

Tomorrow: Nicholas Woodsworth on the pretty faces and secret places of France

●

Collecting: a colour page of classic cars

Business Summary

Affiliate pulls Nissan Motor down by 40%

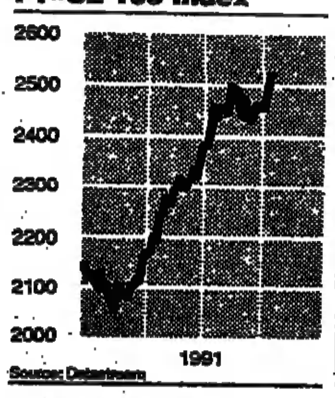
Nissan Motor, Japanese carmaker, is expected to report a 40 per cent fall in consolidated net profits for the year to the end of March.

The company blames poor market conditions and the cost of covering the losses of Ikeda Bussan, a group components manufacturer, which suffered heavily through securities investments. Page 16

DAI-ICHI Kangyo, Japan's largest commercial bank, announced wide-ranging business link with Jonan Shinkin, country's biggest community bank. Page 15

FT-SE 100 share index scaled new heights as investors expressed renewed confidence in an economic upturn. It closed at a record 2,524.5.

FT-SE 100 Index



Source: Datastream

London Market, Page 31; World stock markets, Back Page Section II

BEGHIN-Say, French sugar company controlled by Italy's Ferruzzi group, is to tap the market for FFr3bn ($530m) to finance expansion projects in eastern Europe. Page 15

US securities industry has suffered its worst year since 1973, according to figures released by the New York Stock Exchange. Page 15

IBSTOCK Johnsen, building materials group, plans to raise £44m ($78.3m) to invest in UK bricks division and take full control of its businesses in Portugal. Page 16

BMW, German luxury car producer, expects further growth in 1991 after record profits last year. Page 15

CONTRACTORS and banks caught in a multi-billion dollar wrangle over stalled projects in Iraq expressed cautious optimism that an end to the dispute may be in sight. Page 4

GKN, UK components, industrial services and defence group, is moving into eastern Europe through the purchase of east German motor components maker Gelenkwellenwerk Mosel. Page 16

AUSTRALIAN Airlines, government-owned domestic carrier, weathered deregulation and Gulf crisis to report a A$8.97m ($6.95m) profit for six months to December. Page 17

SUZUKI Motors of Japan, which has a 40 per cent stake in Maruti Udyog, joint venture with the Indian government, is to leave the European market for small cars to the Indian company. Page 17

PERRIER, French mineral water group, is to sell its dairy products subsidiaries to Besnier, the leading French dairy group. Page 18

USF&G, large but troubled US insurance group, said it expected to cut its workforce by about one quarter as it attempted a big "downsizing" of its business. Page 18

US BONDS: Treasury prices firmed on news of a rise in the number of people claiming state unemployment insurance. Page 20

BRAZIL took a big step towards opening up its protected motor industry by ending quotas and other restrictions on foreign car imports. Page 5; Brazil debt, Page 3

UN plans appeal ● UK gives £20m ● Turkish border 'sealed'

Aid urged for Kurdish refugees

By John Murray Brown in Şemdinli, Eastern Turkey, and Alison Smith in London

INTERNATIONAL relief efforts for Iraq's Kurdish refugees fleeing Iraq gained momentum yesterday as United Nations agencies stressed that substantial funds were urgently needed to aid Kurds flocking to the borders of Turkey and Iran.

Mr John Major, the British prime minister, pledged "a substantial donation" from the UK of around £20m ($35.6m), through the UN appeal to be launched on Monday.

Speaking in Downing Street, Mr Major said the help would be provided directly and through the European Community, in addition to the £1m of immediate aid the UK is already sending.

At the UN, ambassadors of the five permanent members of the Security Council were due last night to hold private consultations with Mr Javier Pérez de Cuéllar, the Secretary General. They were expected to discuss the scale of the human problem as well as calls from some quarters for tougher UN-backed action against Iraqi President Saddam Hussein's repression of the Kurdish minority in his country.

Mr Major said Britain had asked for the Kurdish relief issue to come high on the agenda for Monday's meeting of the European Council. He also pointed to the UK's diplomatic activity directed towards helping the Kurds, including requests to President Turgut Ozal for Turkey to open its borders to the refugees.

In Ankara, Mr Ozal hinted that the border with Iraq could be opened if the international community could give assistance to the refugees threatening to pour into the country.

Turkey is planning to establish new refugee camps to accommodate the influx. But aid agencies in Ankara are concerned that money pledged by donors has still not been received. At Şemdinli, close to Turkey's eastern border with Iraq and Iran, there are an estimated 1,000 Kurdish refugees in a small reception centre run by the Turkish military.

The military there appeared last night to have sealed the border in an attempt to stem the influx and no new arrivals were reported yesterday.

Refugees arriving in the area are being supplied with blankets and tents from the Turkish Red Crescent and are given food twice a day. But the situation remains very confused.

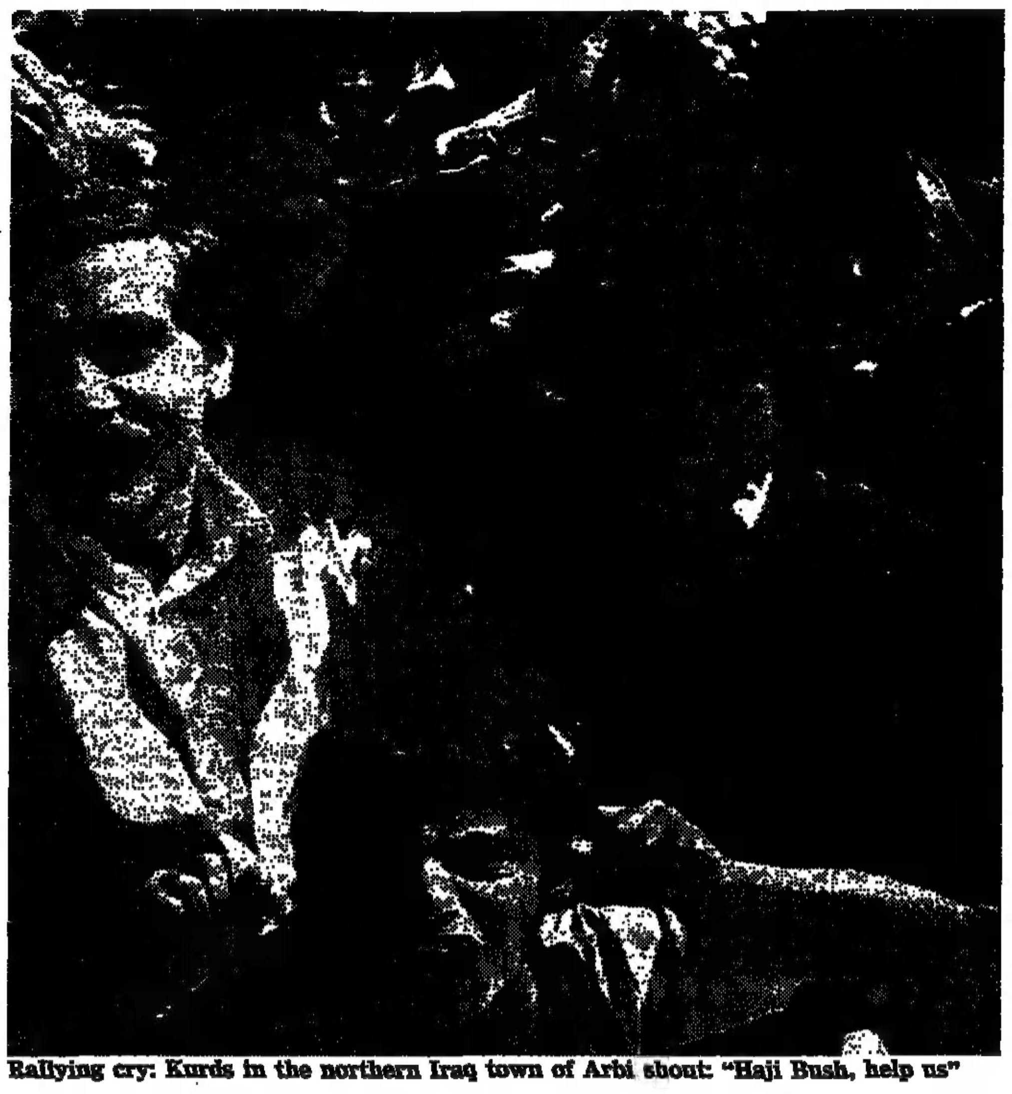
Iran is admitting refugees more freely than Turkey. The official Iranian news agency (Irna) yesterday reported that 20,000 had entered through the Savoji border post and another 3,500 had crossed into Iran at Haj Omran.

Irna said the biggest gathering of refugees, about 1m, was at the border post of Nowsoud where some children had starved to death.

The Nowsoud refugees were mostly from Sulaimaniya, the last Kurdish stronghold to fall to Mr Saddam's army on Wednesday, and did not have food or shelter to survive for long, Irna said.

In London, meanwhile, Mr Major emphasised the difference between the action the international community had been able to take to secure

Continued on Page 14



Rallying cry: Kurds in the northern Iraq town of Arbil shout: "Haji Bush, help us"

Blood stains shrine of a shattered people

By Lamis Andoni in Baghdad

This report was subject to Iraqi censorship.

PRESIDENT Saddam Hussein's regime has conceded that a major overhaul of government is necessary to head off fresh challenges to the system after five weeks of violent unrest which has left the country in a state of shock.

The Iraqi army's drive to extinguish the rebellion in the predominantly Shia south and the Kurdish north has allowed the Baathist regime to regain control of most of the country and given Mr Saddam some breathing space.

A front page editorial in Al Thawra newspaper this week contained an unusually critical reassessment of the party's performance. "The party has failed in filling the social vacuum... Consequently the Iraqi society has developed horizontally but not vertically," it said.

This comes close to admitting the party has failed to address Iraq's ethnic and sectarian problems and that the government cannot ignore the grievances which provoked the bloody revolt.

The difficulties ahead for the government were underlined when foreign journalists toured major northern and southern cities this week.

The uprising has aggravated the political, social and economic problems of a people shattered by war and whose lives have been reduced to basics by a long-standing United Nations embargo.

In every town swept by unrest, public facilities, shopping centres and government buildings have been badly damaged, burnt and looted. Officials accuse the rebels of seizing government buildings, destroying official records and ravaging the infrastructure already bombed by the allied forces.

The rebels appear to have attacked symbols of government and, according to the government, carried out mass executions of Baath party officials.

Casualties in the north of the country appeared lighter than those in the south, although scores of corpses, some bloated or charred, were lying in the streets of Kirkuk and Arbil. There were no obvious sign of the army using napalm or phosphorus bombs: at least in the towns visited by foreign journalists who were escorted by government officials.

In the town of Arbil the streets were deserted. Eye witnesses said the army had dropped leaflets from helicopters advising residents to leave Arbil and Kirkuk hours before Mr Saddam's troops attacked the rebels.

When journalists arrived in Arbil on Tuesday, residents were beginning to return to their homes by car or on foot. The Iraqi army and the pro-government Kurdish militias (Alfursan) were still on alert at the entrance to the city.

The government claims that retribution against officials was most violent and gruesome in the south where the fiercest fighting took place.

Foreign journalists were shown two rooms – one in the holy shrine of Imam Abbas and the other in an auxiliary building to the shrine of Imam Ali in Najaf – which were used for torture and execution by the rebels, according to officials. Thick and dry stains of blood covered the walls and

Continued on Page 14.

Telecoms groups plan new service for business customers

By Charles Leadbeater in London

THREE of the most powerful telecommunications companies in the world are considering plans for a jointly controlled company which would offer services to international business customers.

The three, Nippon Telegraph and Telephone of Japan, Deutsche Bundespost Telekom, the German telecommunications carrier and BT, the British telecommunications group, are discussing a joint-venture which would be the most ambitious international deal yet attempted in the telecommunications industry.

The consortium would act as a sub-contractor to large companies by taking over running their internal telecommunications networks. This would follow developments in other industries, such as computers, in which companies have increasingly outsourced management of their systems by specialist sub-contractors.

The jointly owned business – to be called Pathfinder – would be 48 per cent owned by BT, with the other two partners owning 26 per cent each.

The negotiations over Pathfinder come only four months after BT announced it was forming an informal partnership with IBM, the US computer group. It is understood that IBM would have an arms-length relationship with the Pathfinder consortium.

The Pathfinder talks will put AT&T, the US telecommunications group, and other carriers under pressure to secure equivalent arrangements to offer similar services to international customers.

The three companies plan to carve up the world's market: BT would offer Pathfinder services in the US, through its Tymnet subsidiary; BT and DBP Telecom would take care of Europe; while NTT would take the lead in Asia. Between them the three would be able to offer a one-stop shop for international services.

This degree of co-operation is unprecedented in the industry. Through Pathfinder a company could deal with a single company across the world's main trading regions, rather than dealing with a string of different national utilities.

The consortium faces several obstacles. The plan may attract objections from regulators and competition authorities concerned that it may reduce competition.

Yeltsin wins Russian backing for extra presidential powers

By John Lloyd in Moscow

MR BORIS YELTSIN, the Russian leader, yesterday won preliminary approval from the federation's parliament for extraordinary presidential powers which could lead to a head-on confrontation with President Mikhail Gorbachev.

As Mr Yeltsin adopted Gorbachev-style tactics to enhance his position, the Soviet government faced further turmoil on the industrial front. Resistance continued among striking coal-miners, especially in the militant Donbas region in the Ukraine, despite the government's offer on Wednesday night to double miners' salaries.

To compound the government's woes, thousands of demonstrators filled the central square in Minsk, capital of the Belorussian republic, which is usually one of the calmest in the union. The demonstrators demanded the resignation of Mr Gorbachev and Mr Valentin Pavlov, the Soviet prime minister, because of the sharp increase in prices at the beginning of this week.

Mr Yeltsin sprang his move upon the Russian parliament yesterday morning, arguing that he needed extraordinary powers to force through measures agreed by the parliament, especially in the economic field, to secure social stability. Although fiercely opposed by his communist rivals, he received a 2-1 vote in his favour – though a drafting commission was working overnight on the detailed resolution on Mr Yeltsin's demands.

If finally passed, the resolution will give Mr Yeltsin sweeping powers to legislate over the territory of the Russian federation. It could also spark a "war of decrees" with Mr Gorbachev who has already been told by his senior economic advisers to curb the ambitions and activities of the republican governments, especially Russia's.

Mr Yeltsin's move, which echoes action taken in the past by Mr Gorbachev in the USSR Supreme Soviet, comes as the government appears resigned to a spiralling increase in pay rises.

Mr Lev Ryabev, a deputy prime minister, admitted yesterday that the miners' settlement, cost $10bn, reached on Wednesday night would "have a bearing on" much higher inflation. However, he said oil, gas and steelworkers could expect similarly generous treatment to the miners. The offer to the miners would double the average monthly salary.

There is no guarantee however that even such a wage rise will succeed in ending the strike in the main coalfields.

● The rebel republics of Lithuania and Latvia have agreed to begin full-scale negotiations with the Kremlin within the next month.

Successful preparatory meetings in Moscow yesterday followed weeks of wrangling and the Soviet army's crackdown on the Baltic republics in January. No agenda has been set but the discussions are likely to focus heavily on economic ties, while Moscow will do its best to avoid discussion of the republics' demands for speedy independence.

Privatisation law, Page 2

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[illegible]	6	Currencies & money	36	Letters	[illegible]	Technology	10
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Campaign goes astray for Tokyo plotters

Insulting a man as mature as Shunichi Suzuki, Tokyo's 80-year-old governor (pictured left), is just not done in Japan. Not even in politics
Page 4

MARKETS

STERLING
New York lunchtime: $1.788
London: $1.7845 (1.781)
DM2.975 (2.9625)
FFr10.0725 (10.05)
SFr2.5025 (2.5175)
Y243.0 (245.0)
£ Index 92.7 (92.7)

GOLD
New York: Comex Jun $362.0
London: $359.05 (359.35)

N SEA OIL (Argus)
Brent $18.45 (18.125)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime: DM1.6635
FFr5.6455
SFr1.4025
Y136.25
London: DM1.667 (1.664)
FFr5.645 (5.6425)
SFr1.4025 (1.414)
Y136.25 (137.3)
$ Index 64.8 (65.0)
Tokyo close: Y137.45

US lunchtime rates
Fed Funds 6⅛%
3-mo Treasury Bills: yield: 5.902%
Long Bond: 96¾
yield: 8.169%

STOCK INDICES
FT-SE 100: 2,524.5 (+5.4)
FT Ordinary: 2,007.2 (−7.0)
FT-A All-Share: 1,223.55 (+0.3%)
New York lunchtime: DJ Ind. Av. 2,939.8 (+12.87)
S&P Comp 380.77 (+1.83)
Tokyo Nikkei 26,869.81 (−90.25)

LONDON MONEY
3-month interbank: closing 12⅛% (same)
Life long gilt future: Jun 93¾ (92¾)

EUROPEAN NEWS

Moscow ready to debate draft privatisation law

By Leyla Boulton in Moscow

THE Soviet parliament is today expected to debate the country's first privatisation law after 70 years of resistance to the very concept of private property.

The draft law, finalised by the government's economic reform commission after weeks of wrangling among ministers, sets the terms and procedures for both "destatisation" and privatisation of state assets.

It has been welcomed by radical economists as a step towards creating a market economy, despite their misgivings about the Kremlin's overall approach to economic reform.

Mr Gennady Melikian, a senior official on the economic reform commission, said recently that all-union assets totalled around Rbs2,000bn. He predicted that up to 20 per cent could be sold off in three or four years, while 25 per cent would remain in government hands.

Under the draft, a central Fund for State Property (probably set up by presidential decree) will oversee the privatisation of all-union assets, while republican authorities will be free to dispose of enterprises under their control as they wish. The Soviet government will establish a list of its enterprises which will not to be privatised for defence, ecological, or other unspecified reasons.

Hardline communist deputies are likely to offer stiff resistance to the law's stipulation that shares be bought rather than distributed free of charge.

It gives workers first option on buying out their enterprise but says that no more than 30 per cent of the assets should be ceded to them on preferential terms.

The draft law says states that revenues from share sales will be used to pay off the debts of enterprises. Some proceeds may go to pay off state debts, stabilise the economy and fund key social expenditure, including compensation for workers who may be laid off as a result of privatisation.

Shares may be sold to Soviet and foreign legal entities and individuals (although rules for foreign investors have yet to be set out in a separate law).

The central government will establish a list of enterprises and sectors earmarked for early privatisation. Specific deadlines are absent from the legislation, but enterprises themselves can apply to begin privatisation and their requests must be ruled on within a month.

The evaluation and sell-off of enterprises will be handled by committees representing privatisation officials and experts, management and the workforce. Shares are to sold on an auction basis with starting prices set by the committees.

Mr Grigory Yavlinsky, the leading author of the 500-Day Programme for a crash transition to a market economy, said the law would put some method into chaotic privatisation attempts already under way in various parts of the country.

The Soviet law is partly based on a draft he prepared for the Russian parliament but which has yet to be adopted.

If passed, the Soviet legislation should make it easier for foreign investors to step in, once the companion law on foreign investment is adopted.

Ms Barbara Duvoisin, a Moscow-based consultant with Price Waterhouse, said a that key obstacle to privatisation up to now was the absence of procedures for carrying it out.

Individual Soviet enterprises, such as Kamaz, the giant truck plant, have already begun to sell off shares. But this has only been possible in specific cases pushed by the Soviet government.

Until there is an agreement between the centre and the republics, a row over who owns what will also continue to be a problem. Russia for instance is claiming a share of all-union enterprises, which account for most heavy industry on its territory.

Kamaz for instance has so far failed to get foreign investors because of their demands for three sets of guarantees that the assets will not be confiscated - from the central government, the government of the Russian Federation, and authorities in the autonomous republic of Tatarstan.

Some authorities on the ground, such as Ms Elena Kotova, the head of Moscow city council's privatisation committee, doubt whether the law will actually deliver results, unless those in charge of the privatisations have the power to override the resistance of vested interests.

Ms Kotova has been unable to push through the outright sale of restaurants, shops and service industries in the capital because of the resistance of the state organisations which run them and which have opted instead for limited forms of leasing.

The radical city council in Leningrad meanwhile has already encountered the refusal of workers to vacate premises after their sale to private owners.

Muscovites struggle with militiamen outside one of the two banks where they are able to obtain foreign currencies

Yugoslav army tries to stay out of politics

By Judy Dempsey

YUGOSLAVIA'S federal army, often perceived as the loyal supporter of Mr Slobodan Milosevic, the communist President of Serbia, appears to be distancing itself from the country's politicians by its intervention in the western republic of Croatia.

General Veljko Kadejevic, the defence minister, sent troops and reinforcements into Croatia on Sunday to prevent the conflict between Croats and Serbs, the country's two largest ethnic groups, from escalating into large-scale violence.

A week ago, ethnic Serbs attempted to take over Croatia's tourist resort of Plitvice. Croatian police ousted the Serbs, but the army stepped in after two people were killed.

Constitutionally, the army is under the command of the collective presidency, which consists of representatives from the six republics and two provinces. But the presidency met in emergency session on Sunday and was divided about the army's role.

The army appears frustrated by the lack of unity, combined with a growing sense of paralysis in the presidency.

It was particularly concerned by a statement by Mr Milan Babic, the nationalist leader of the ethnic Serbs in the region of Krajina in Croatia, who told Belgrade Radio that the ethnic Serbs had been promised weapons by Mr Milosevic.

If this is true, it confirms earlier suspicions that the rebellion by ethnic Serbs in Croatia has had the Serbian leader's full support. Serbs make up 11 per cent of Croatia's 4.5m population.

Last year Mr Babic declared Krajina independent from Croatia and he now supports the idea that other ethnic Serb areas in Croatia should be united with Serbia, thus bringing the idea of a Greater Serbia closer to reality.

The Serbian parliament said on Monday it would support the Serbs in Croatia but failed to take the opportunity to endorse the unity of Serbia with Serb-inhabited regions in Croatia.

Yugoslav analysts said the army was not prepared to stand by as heavily-armed ethnic Serbs and Croats confronted each other, particularly since this could spill into neighbouring Bosnia-Hercegovina in which Croat, Serb and Moslem communities co-exist.

The army has given no indication how long it will remain in Croatia. Its presence denies Mr Milosevic a greater opportunity to provoke ethnic unrest in the republic.

But it may also increase resentment among Mr Babic's supporters who appear determined to unite Serbs.

Moreover, the Croatian government, led by President Franjo Tudjman, continues to oppose any army presence in the republic, saying the military does not have the authority to intervene.

Mr Tudjman's ability to contain what are still local, but intense, ethnic conflicts is also called into question by the army involvement. Furthermore, Croats believe that the army is susceptible to Serbian influence because 70 per cent of the officer corps are Serbs.

● The European Community yesterday urged Yugoslavia to remain united and warned against a breakup of the factious country into independent states, AP reports.

"We came here to support the process of democracy, unity and dialogue in Yugoslavia," said Mr Jacques Poos, the EC Council chairman, and Foreign Minister of Luxembourg.

Mr Poos said the Community would take measures to aid Yugoslavia in overcoming its worst political crisis since 1945. He also implied the Community might also consider writing off part of Yugoslavia's $17bn foreign debt to help implement a programme of reforms to transform the Communist-style economy into a free-market one.

Sudden switch to hard currency trade 'a mistake'

By Christopher Bobinski in Moscow

MR VALENTIN Pavlov, the Soviet premier, yesterday admitted that the abruptness of the switch to hard currency pricing in trade between Poland and the Soviet Union on January 1 was a mistake.

Speaking after meeting Mr Jan Krzysztof Bielecki, the Polish prime minister, he said steps would have to be taken to reverse a slump in mutual trade which is threatening tens of thousands of Polish jobs.

In the first two months of this year, Soviet sales to Poland amounted to $240m while Polish exports to the Soviet Union earned a mere $18m. "We are now putting right mistakes which have resulted in the fall in mutual turnover," said Mr Pavlov.

The Poles want trade run on a clearing system with quarterly reviews to ensure that imports and exports are evenly balanced.

Mr Bielecki assured the Soviet premier he wanted to maintain Poland's trade links with the Soviet Union and offered to supply 1m tonnes of grain and 100,000 tonnes of meat to the Soviets out of his country's farm surpluses.

Mutual debts are another vexed issue. Poland ran up a record trade surplus with the Soviet Union last year worth over Rbs7bn as a result of its export boom. At the same time it still owes Rbs4.2bn lent by the Soviets in the early 1980s.

The Poles are arguing, however, that they were underpaid to the tune of R4bn for work done in the past on Soviet gas and oil pipelines.

Mr Bielecki's visit to Moscow was designed to prepare for a state visit by Mr Lech Walesa, the Polish president, later this month. President Mikhail Gorbachev, who also saw Mr Bielecki, said: "We are neighbours and Slavs and whatever the political hue of the government in Poland we have no choice but to work together."

The Soviet leadership appears keen to have a visit by Mr Walesa in the near future to improve their human rights image after the shootings in Vilnius and Riga in January by Soviet troops.

Progress on fixing a date for the withdrawal of Soviet troops from Poland will have to be made before Mr Walesa's visit can go ahead.

Yesterday, the Soviet Union said it plans to withdraw the first of its army units from Poland next week but the two sides remain at loggerheads on the timetable and costs of the pullout, a Polish official said.

He said Moscow had failed to present a detailed timetable which it plans to complete only in 1993, despite Warsaw's demand that the last Soviet soldier should leave this year. It was also refusing to discuss financial compensation demanded by Poland.

Defiant France aids electronics sector

William Dawkins and **Charles Leadbeater** examine the industrial pressures which prompted Paris to come up with a £600m package for a strategic industry

NEVER has the contrast between the French and British response to the ills of Europe's electronics industry been so marked.

Less than a year after the flagship of Britain's computer industry, ICL, slipped into the arms of Fujitsu, the Japanese electronics group, the French government has announced an enormous boost in backing for its loss-making state controlled electronics companies.

Paris' decision to pump FFr4bn (£400m) of fresh capital into Bull, the ailing computer maker which last week announced a record FFr6.8bn (£680m) loss, and nearly FFr2bn into Thomson, the struggling defence and consumer electronics group, is the clearest sign yet of just where the limits lie in the French government's recent withdrawal from industrial interventionism.

Not surprisingly, the move drew an immediate complaint from ICL to the UK government and the European Commission. ICL fears that the cash will allow Bull to price in a predatory fashion in the UK, where it has taken public sector orders in recent years from ICL.

ICL executives fear that other loss-making electronics groups like Olivetti of Italy, Philips of the Netherlands and Siemens-Nixdorf of Germany may now be encouraged to seek state aid to restructure their businesses.

The German electronics industry association has also expressed its fears that competition might become distorted.

Presenting the plan, Mr Roger Fauroux, the French industry minister, spoke of the strategic need to keep the European electronics industry under European control and not to throw the European market "open to all winds."

French officials liken today's electronics industry crisis – falling demand, fast changes in technology and fierce competition – to the one facing the European steel industry 20 years ago. In this, Mr Fauroux has the full backing of President François Mitterrand, who called on his weekly cabinet meeting to "incite an especially energetic European effort".

Yet privately, French officials are disappointed with the recently more moderate tone of the European Commission's policy for the electronics industry. Coupled with Brussels' increasingly tough stance against state aid, which will probably lead to an inquiry by the Commission, the impression in France is that the Commission's drive to support European-owned technology companies is weakening.

"Is it not time...to do what one can to save Bull, Thomson and the others, knowing that there is nothing to hope for from a semi-impotent Europe?" wrote Le Monde yesterday.

France's room for manoeuvre depends on what the Commission will accept as legitimate behaviour for government shareholders, highly relevant to the Paris administration as caretaker of possibly Europe's most active and entrepreneurial state sector.

So far, Brussels has simply said that state shareholders should behave like private ones, though as Mr Fauroux points out, private investors have also been known to pump money – for good as well as bad reasons – into loss making businesses.

Mr Fauroux, a former chairman of Saint-Gobain, the privatised glass and pipes group which temporarily took control of Bull in the early 1980s, likens himself to the head of a diversified industrial holding group, participating in the strategic decisions of Bull, Thomson and other state held businesses.

Generally speaking, the government often behaves like a private shareholder in that it insists that investments should make commercial sense, maintains Mr Fauroux, who has always argued that Bull has a future. But this does not stop the state from pursuing a clear industrial policy, especially to defend a strategically vital sector in a crisis, he argues.

In making up their minds whether to accept that argument, the Commission's competition experts will examine closely just how the two companies plan to spend their capital increases.

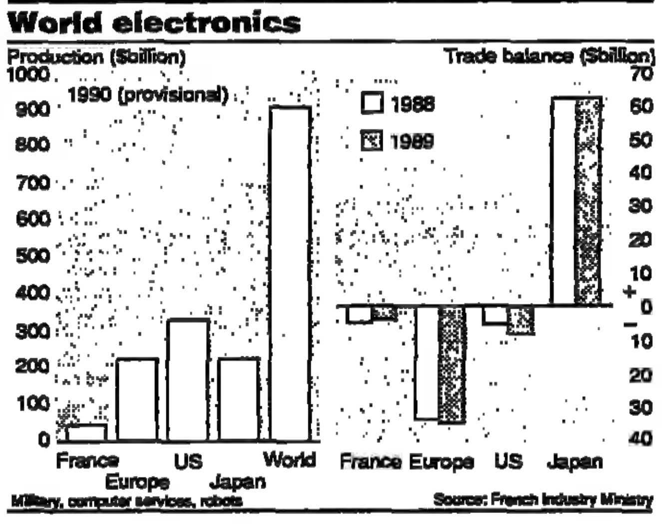
Bull's FFr4bn comes in two equal chunks this year and next. It will be partly provided by an unwilling France Telecom, owner of a 17 per cent stake in Bull, which is demanding in return the right to operate the group's internal telecommunications networks as the basis for a service to outside companies.

The cash will partly cover Bull's losses, including the FFr3.6bn costs of closing more than half its plants and reducing the workforce by 20 per cent. On top of this, Bull is getting a FFr2.7bn research grant over the next four years. This covers 20 per cent of its research budget for the period, devoted to making it easier for Bull computers to communicate with other producers' machines.

Thomson's nearly FFr2bn capital increase barely covers the FFr2.7bn – after FFr1.8bn restructuring charges – loss made by its consumer electronics arm last year, even though its other main business, defence electronics, is profitable. Like Bull, Thomson is also getting a research grant on top of the capital increase, FFr430m this year out of a FFr600m national research budget for high definition television.

Thomson Consumer Electronics has just launched an advanced TV set, designed to pave the way for full HDTV, and is gambling that this will be the first product in which it beats Japanese competition for domination of the European market.

World electronics



Military, computer services, robots
Source: French Industry Ministry

EUROPE IN BRIEF

Dutch face economic slowdown

Growth in Dutch gross national product will slow to around 2 per cent in 1991 and 1992 from more than 3 per cent in both 1989 and 1990, the Dutch Central Planning Office said, writes Ronald van de Krol in Amsterdam.

Measured in terms of real national income, growth is expected to show an even sharper decline to 1 per cent in 1991 from 2.5 per cent in 1990, though average growth will rebound to an average 2.5 per cent in 1993 and 1994.

Despite the slowdown, the Dutch economy has managed to escape the recession that has plagued other western countries, thanks to its close trading ties with Germany and a strong rise in disposable incomes stemming from tax cuts and other measures in 1990.

However, the central planning office cautioned that the government looked set to face further setbacks in its efforts to reduce the state's financing deficit. Its warning comes just weeks after the centre-left coalition succeeded in putting together a four-year cost-cutting package of Fl 17bn ($8.9bn).

Denmark move on EC taxes

Denmark will try to persuade other EC countries to increase excise taxes on tobacco goods and spirits rather than reduce its own high taxes, according to Mr Anders Fogh Rasmussen, the economy minister, writes Hilary Barnes in Copenhagen.

Denmark's high indirect taxes pose a serious problem for the country in view of the elimination of border controls within the EC after 1992.

The minister said the government was preparing to reduce excise taxes between 1992 and 1995. The reductions will mean a total loss of revenue of DKr7.3bn ($1.12bn). In the first phase, taxes on cosmetics, perfumes, beer, wines and soft drinks will fall, costing the exchequer about DKr3.5bn.

After 1993, tobacco and spirits taxes will start falling, but Mr Fogh Rasmussen said the government opposed the relatively low harmonised tax rates on these goods proposed by the EC Commission.

G7 ministers to meet soon

Finance ministers from the Group of Seven industrial countries are to meet in London in the next two weeks for informal talks on a range of economic issues, Peter Marsh reports.

The discussions will take place around the same time as the three-day inaugural meeting, starting on April 15, of the London-based European Bank for Reconstruction and Development.

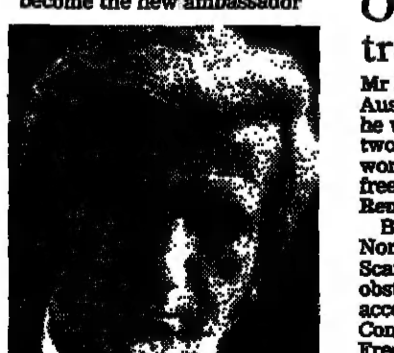
The UK Treasury said yesterday that ministers would discuss "matters of the moment" but would not issue a communique.

A full meeting of the G7 countries, attended by financial ministers and central bank governors, is scheduled for Washington on April 28.

Budapest sacks US ambassador

Hungary's ambassador to the US has been dismissed, apparently to create a vacancy for the controversial foreign minister, Mr Geza Jeszenszky, according to political sources, Reuter reports from Budapest.

Despite official denials, the sources said Jeszenszky was expected to leave the first post-communist government in Budapest this summer to become the new ambassador



Geza Jeszenszky: expected to be new ambassador to US

to Washington. A Foreign Ministry spokesman said the present ambassador had been informed of his dismissal.

Consortiums vie for bridge deal

An Italian and a German consortium have emerged as favourites to win the contract to build the world's biggest suspension bridge, which will have a central span of 1,624 metres, writes Hilary Barnes in Copenhagen.

The bridge is part of the road-rail, bridge and tunnel link across the Great Belt, the main shipping lane into the Baltic from the North Sea, which separates the Danish island of Sjaelland from the Jutland peninsula.

The Financial Times has learnt that A/S Storebaelt, the state company responsible for construction of the link, has singled out the Italian group, CMF Sud, and a German-Dutch consortium to be awarded the contract for the suspension bridge.

Obstacles block trade accord

Mr Franz Vranitzky, the Austrian chancellor, said that he was confident west Europe's two main trading blocs could work out details of a planned free trade deal by mid-1991, Reuter reports from Oslo.

But Mr Vranitzky, in Norway on a tour of Scandinavia, said major obstacles were holding up an accord between the European Community and the European Free Trade Association. The two blocs aim to set up a 19-nation single market from the end of 1992.

Greek inflation coming down

Greece's year-on-year inflation rate, the highest in the European Community, fell for the third consecutive month to 19.5 per cent in March and should meet a target of 16 to 17 per cent by the end of the year, the government said, Reuter reports from Athens.

Brussels backs down on 'eco-audit'

By David Thomas, Resources Editor

THE European Commission has watered down proposals to order tens of thousands of industrial sites to publish annual audits of their environmental performance after fierce opposition from some industrial groups.

Commission officials still plan to put formal proposals for an EC-wide environmental auditing scheme to European Commissioners within the next few months.

The latest drafts circulating within the Commission make it clear that the participation of most companies in the scheme is likely to be voluntary.

Environmental audits – or eco-audits – are systematic examinations of the environmental effects of a company's operations.

Draft proposals produced by Commission officials at the end of last year suggested that most sites in 58 industries would have to audit their environmental activities annually and then publish a summary of the results.

The latest draft proposals suggest that participation in the scheme will be voluntary and that each EC country would set up a register of companies carrying out an eco-audit, together with an environmental auditing professional body to oversee the scheme.

Companies could choose whether to participate in an audit, although individual countries would be able to insist that companies in certain industries do participate.

Companies which participated would be able to display an Eco-Audit symbol on their products. The draft document says the EC will review the scheme four years after it comes into operation to see whether it should be made mandatory.

The new proposals are likely to be more acceptable to industry bodies alarmed by the initial stress on compulsory auditing. However, European trade unions are dismayed that the latest drafts make no provision for consulting workforces during the audit.

Commission officials stress that the latest proposals may still change. Formal proposals will be put to commissioners in the next few months.

Patchy support for Albanian strike

By Laura Silber in Tirana

A GENERAL strike called by Albania's opposition Democratic Party yesterday to protest against Communist-backed violence received patchy support.

Factory workers stayed away in the capital and in the northern city of Shkoder, where four people died after security forces attacked anti-communist demonstrators on Tuesday. However, shops and public services remained open in the capital.

At a large tractor factory on the outskirts of Tirana, a few of the 5,000 workers kept the conveyor belts operating, some saying they had been pressurised to turn up by their communist boss while others said they needed the money.

"It seems in many enterprises in Tirana, people have stopped working," said Mr Genc Pollo, the spokesman for the opposition Democratic Party. Mr Pollo said that the strike was also supported by workers in Shkoder.

The strike was called after police beat up supporters of the Democratic Party, anti-communist demonstrators following last Sunday's election in which the ruling Albanian (communist) Party of Labour won two-thirds of the 250- parliament. There were no reports of violence yesterday but the capital remained tense.

There were no available participation figures but Mr Pollo said: "I could say the strike was general in Tirana and other major cities so we consider it a success." A government official, however, described it as a failure.

Many people in Tirana said early yesterday they were unaware of the strike call early in the day but had joined the stoppages by the afternoon.

● Hundreds of Albanian refugees have crossed into Greece since the communists retained power in the country's first free vote, a Greek official said yesterday, Reuter reports from Athens.

Mr Dimitris Tzorzis, an official who monitors the refugees in the town of Ioannina, said 368 Albanians had fled across the border since Sunday's election. "The stream of refugees has been steady since January. The election result did not change the number crossing the border," he said.

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AMERICAN NEWS

McFarlane named in security software case

By Alan Friedman and Eric Reguly in Washington

A BIZARRE series of allegations – including claims of misconduct by Mr Robert McFarlane, the former national security adviser to President Ronald Reagan – have surfaced as a result of a seemingly obscure legal action involving the US Department of Justice and a small Washington computer software company called Inslaw.

Among allegations contained in court affadavits filed in recent weeks in support of Inslaw is the charge Israeli intelligence forces are using an Inslaw computer software system illegally provided by Mr McFarlane.

The affidavits also claim Inslaw's case-tracking Promis software was stolen by the US Department of Justice and found its way to the governments of Israel, Canada and Iraq. The software allows users to keep track of information on criminal cases and individuals and is designed for use by police and intelligence agencies.

The case of Inslaw, which won a court victory against the Justice Department in 1987, appears at first glance to be an obscure lawsuit by a small business that was forced into bankruptcy as a result of the loss of its proprietary software.

But several members of the Washington establishment and US press reports suggest Inslaw may be only the tip of an iceberg that could have implications for US foreign policy in the Middle East.

A lawyer representing Inslaw is Mr Elliot Richardson, a former US attorney general. Yesterday, he told the FT: "Evidence of the widespread ramifications of the Inslaw case comes from many sources and keeps accumulating."

Mr Richardson said last night that "it remains inexplicable why the Justice Department consistently refuses to pursue this evidence and resists co-operation with the Judiciary Commitee of the House of Representatives."

The Inslaw case began in 1982 when the company won a

Israeli intelligence is alleged to be using illegally supplied computer software

$10m contract to install its software at the Department of Justice. In 1983 the department stopped paying Inslaw and the firm eventually went into bankruptcy proceedings.

Inslaw sued the Justice Department in 1986 and the trial took place a year later, when a federal bankruptcy court ruled in Inslaw's favour. The ruling said that the Justice Department "took, coverted, stole" Promis software through "trickery, fraud and deceit" and then conspired to drive Inslaw out of business.

That ruling, which received little publicity at the time, was upheld by the US District Court in Washington in 1989, but the Justice Department lodged an appeal last year in an attempt to overturn the judgment that it must pay Inslaw $6.1m in damages and $1.2m in legal fees.

The affadavits relate to an imminent move by Mr Richardson on behalf of Inslaw to obtain subpoena power in order to demand copies of the Promis software that the company alleges are now being used by the Central Intelligence Agency and other US intelligence services.

In response, Mr McFarlane has stated that he is "very puzzled" by the allegations that he passed any of the software to Israel. He has termed the claims "absolutely false".

In addition to alleging that the stolen software was used by US intelligence, Inslaw's new affadavits also state that the same software has been sold illegally to the Royal Canadian Mounted Police and the Canadian Security Intelligence Service. This could not be confirmed or denied yesterday.

In the affadavit relating to Mr McFarlane, Mr Ari Ben-Menashe, said to be a former Israeli intelligence officer, claims that Mr McFarlane had a "special" relationship with Israeli intelligence. Mr Ben-Menashe alleges that in a 1982 meeting in Tel Aviv, he was told that Israeli intelligence received the software from Mr McFarlane.

Brazil to seek rescheduling

By William Dawkins in Paris

BRAZIL is not planning to ask for a reduction in its $20bn (£11.2bn) official debt but will be seeking a revision in repayment schedules over the next few years.

Ms Zelia Cardoso, Brazil's Economy Minister, confirmed yesterday her country will not be seeking the same special treatment accorded to Poland, which recently obtained agreement from the Paris Club of crediter nations to have its official debt halved.

Ms Cardoso, on her way to the annual meeting of the Inter-American Development Bank (IADB) in Nagoya, Japan, criticised the suspension of a $350m development loan for Brazil. Brazil was up to date with its repayments to international institutions, she said, and could not accept this method of applying pressure to meet its commercial debts.

"I hope this does not create a precedent," she added. It risked creating a "harmful situation" which would cast doubt on the IADB's reputation.

● Brazil is to pay off its $280m arrears on French export credits by year-end, Ms Cardoso said. The backlog of payments to Coface, the French export credit guarantee agency, would be repaid in three instalments in April, May and June. Also, Brazil is due to pay Coface another $120m this year, which would be honoured.

Because of this, Coface had given its backing for part of a $126.5m financing contract signed yesterday.

Panama and US to unlock bank secrecy

By Tim Coone in Managua

AGREEMENT has been reached between the US and Panamanian governments, after a year of heated argument, over the conditions under which Panama's strict banking secrecy laws will be lifted to facilitate drug-money laundering investigations.

A treaty is due to be signed on April 11, according to a US official based in Panama, though "there are still some loose ends to be tied up".

The agreement will formalise existing arrangements under which US investigators are given access to banking information on customers suspected of money laundering or drug trafficking.

All cash transactions over $10,000 are already automatically reported to Panama's banking commission and in turn reported to the US authorities, if requested.

The US has insisted the treaty should extend to tax evasion investigations, and has made the disbursement of $84m out of a $420m aid package to Panama conditional on the signing of a deal.

The offshore banking community in Panama argued that such a condition would unfairly disadvantage Panama compared to other offshore financial havens and a compromise solution is believed to have been agreed under which information will be released to US tax investigators only when there is clear evidence that this was part of a drug-money laundering enquiry.

The Panamanian foreign ministry says the concerns of Panama's banking community have been fully incorporated into the treaty.

"It is a good agreement both for Panama and the US," the ministry said. Panama's Banking Association, which represents 110 offshore banks in Panama, said it had received no information yet on the proposed agreement.

Delay in signing the treaty has seen offshore deposits fall to $5bn, down from almost $30bn in 1986.

Bush: looking forward to a more personal victory in spite of continuing Gulf worries

Iraq credit plot claims another victim

A FORMER officer of Banca Nazionale del Lavoro (BNL) of Italy implicated in an alleged plot to extend $4bn (£2.2bn) in unauthorised credit to Iraq has pleaded guilty to fraud and lying to US regulators, Reuter reports from Atlanta.

The US Justice Department said Mr Thomas Mobley Fiebelkorn, former corporate lending and development officer of state-owned BNL's Atlanta office, agreed to co-operate with the government in its investigation of the scheme, which benefited the government of President Saddam Hussein of Iraq.

Mr Fiebelkorn was not among the 10 named in a 347-count indictment in February alleging fraud in connection with more than $4bn in credits and loans extended to Iraq by the BNL Atlanta branch in the late 1980s.

The group indicted includes two former officers of BNL's Atlanta branch and another employee.

President seeks poll advantage despite heartache over Kurds

Bush gala inspires mixed feelings

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush's celebration of "complete victory" in the Gulf war in a two hour all-star television welcome home to the troops has coincided with increasing criticism over his refusal to intervene in the Iraqi civil war.

A consistent theme of Wednesday evening's television salute was Mr Bush's strong leadership in the crisis. The clear message of the programme, organised by Mr Roger Ailes who ran the president's 1988 media campaign, was that of badges already on sale: "Re-elect the Commander-in-Chief."

However the main headline in the conservative Washington Times yesterday was "Where is Bush?" over a story saying that fleeing Kurds were asking that question. New York Times columnist William Safire argued that Mr Bush had lost the credibility earned by American arms and had thrown "away our new found pride as a superpower that stands for the right and will not to let defenceless allies be pushed around."

Mr Bush's message to the troops was: "America has rediscovered itself during Desert Storm. We regained confidence in America's special decency, courage, compassion and devotion to principle."

Having achieved the aims of the United Nations mandate – "we've done the heavy lifting" – Mr Bush's priority is to bring the troops home as quickly as possible.

The President's non-interventionist stand has two planks. Influenced by Saudi Arabia and Turkey, he believes the priority is to maintain Iraq as one country and to avoid at all costs a fragmentation which allows scope for Syria and Iran to intervene. Washington and Riyadh want to get rid of Saddam Hussein, but are prepared to accept instead a military leader from a similar Sunni/Baathist background.

In addition Mr Bush believes there is no domestic and international support for active intervention on the side of the rebels, a judgment that appears to be correct. There has been little more than murmuring from Capitol Hill, not only because Congress is in recess but also because many Democrats are compromised through their opposition to the start of the war in mid-January.

Senator Al Gore of Tennessee, the only prominent Democrat to support the authorisation of military action then, has been one of the few to criticise Mr Bush for not insisting that Iraqi helicopters stop flying.

Nevertheless there is considerable unease at the stories of Iraqi military atrocities and fleeing refugees.

Foreign policy analysts have argued that Mr Bush's hands-off approach and ambiguities about whether Iraqi helicopters should be attacked risks giving Mr Saddam a new lease of life as well as robbing the US of the moral and political authority it gained in the war.

Mr Bush has been thrown on the defensive, and has not been helped by the juxtaposition of pictures of him fishing or golfing in Florida against those of desperate refugees.

The administration hopes the focus on the Kurds will be short-lived and the main domestic reaction will remain celebration over the military victory.

Hurd faces tough Peking session on HK airport

By John Elliott in Peking

DETAILED talks are to take place in Peking today between British and Chinese officials on financing plans for Hong Kong's proposed HK$100bn (£7.25bn) international airport, in a last-ditch attempt to end a potentially damaging impasse on the issue, before Mr Douglas Hurd, British foreign secretary, leaves Peking tomorrow.

This emerged yesterday during a tense two-hour session between Mr Hurd and Lu Ping, Peking's senior official responsible for Hong Kong, when it is believed that new financing ideas were discussed.

"It is all much clearer in their minds as well as ours as to what the real issues are, but it is still too soon to say whether there will be an agreement," said Mr Hurd, as he emerged looking tired from the day's talks.

This followed a warning issued publicly by Mr Hurd for the first time as he arrived in Peking on Tuesday night that Hong Kong would have to "shelve" the airport plan if China did not acquiesce soon.

Mr Hurd is concerned about China's attempts to force Hong Kong to scale down its plans so that its financial reserves, which currently total about HK$78bn, are not depleted below about HK$50bn.

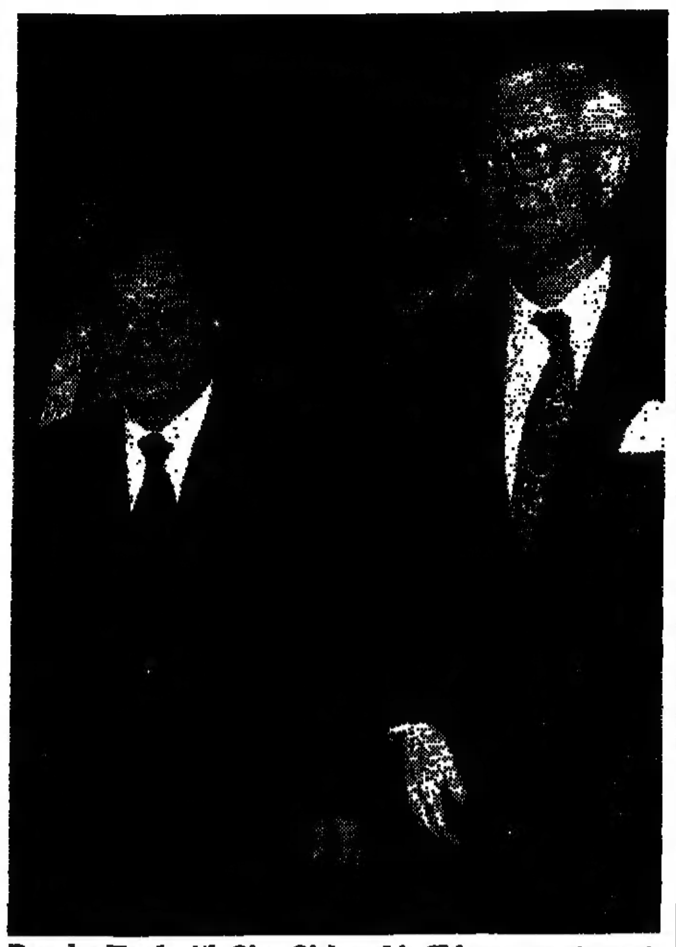
After talking to Hong Kong's executive council on Tuesday, Mr Hurd believes that this would establish a precedent for China to exercise too much political control over Hong Kong before it takes the colony back in 1997.

It appears that the aim of today's talks between officials is to try to find a formula on the financing that would be acceptable to China, without setting such a precedent.

China's insistence on having a greater say in Hong Kong's affairs in the run-up to 1997 was spelt out in a public statement yesterday morning by Qian Qichen, China's foreign minister, just before he met Mr Hurd.

He said that there was a need for "full common understanding" on issues that affected the transfer of sovereignty. China had no intention of "intervening in the daily administration of Hong Kong" before 1997 and it planned "no such thing as condominium, control or veto".

However, this statement dodges the central issue, demonstrated by the airport impasse, that China can exercise great influence, and a de facto veto, by merely questioning and criticising plans.



Douglas Hurd with Qian Qichen, his Chinese counterpart

Relief agencies assess scale of Iraq exodus

By William Dullforce in Geneva

KURDISH refugees are being allowed into Turkey at the rate of about 1,000 a day while between 30,000 and 40,000 are waiting at the border, the United Nations Disaster Relief Organisation (Undro) said yesterday. Some 10,000 are currently being looked after in camps inside Turkey.

Several thousand Iraqis, mostly Kurds, are crossing daily into Iran, where 70,000 are already living in camps, Mr Ferdinand Mayhofer, Undro director, said.

However, several non-governmental international relief agencies such as Oxfam and Save the Children Fund said they could only provide practical assistance if the Turkish and other neighbouring governments co-operated and fully opened their borders to let the refugees in or allowed relief workers to operate in their territory. UN agencies said they urgently needed international help to put into effect a contingency plan to aid 100,000 refugees in each country.

Undro, which has been co-ordinating the UN relief effort in the area since the start of the Gulf crisis, will today launch a new appeal for funds. A $175m (£98m) budget has been set for the UN contingency plan, of which $38m has so far been received and spent.

Mr Mayhofer said the figure of 30,000-40,000 Kurds waiting at the border came from Turkish authorities. It is much lower than the 200,000 estimated by the Ankara office of the UN High Commissioner for Refugees (UNHCR) on Tuesday to be "approaching or close to" the border.

The official Iranian news agency reported that more than 1m refugees from Iraqi Kurdistan had flocked to the Iranian border. It said 20,000 had entered Iran overnight at the Savoji border point and a further 3,500 had crossed near Piranshahr.

Thousands more were on their way from Sulaymaniya, captured by Iraqi troops on Wednesday, and from Kirkuk and other areas, the agency reported. Many children had starved to death on the trek and many more were near death from cold and starvation, it added.

Confusion reigned about the size of the exodus and about the situation in northern Iraq yesterday, at the UN agencies in Geneva and the headquarters of the Swiss-administered International Committee of the Red Cross (ICRC).

The ICRC is working inside Iraq while UN agencies can only bring relief to people fleeing Iraq, unless they are invited by Baghdad to help inside the country.

An inter-agency team from the UNHCR, the United Nations Development Programme and Unicef, the children's organisation, was being sent from Ankara to Turkey's border to assess the situation, a UNHCR spokesman said.

Stocks of tents, blankets, food and medicines in Turkey were inadequate for the needs of 100,000 refugees but supplies could come from Syria.

Iran was "fairly well geared" to provide relief with 12 camps and sites near the Iraqi border and three more closer to Tehran, but Iran would need more help to cope with refugees now arriving, and UNHCR would need more funds.

The ICRC is sending a team from its Baghdad office to northern Iraq to assess needs there. "We know we cannot handle all the needs," a spokesman said, adding that ICRC had been pressing for the UN agencies to be allowed in.

So far, the ICRC has given priority inside Iraq to securing safe water supplies by sending in purification equipment and chemicals to hospitals and the most vulnerable areas. It has managed to get "a small part" of the Baghdad water system functioning.

At the beginning of the year ICRC appealed for SFr141m ($96m) from donor countries to meet its relief efforts in Iraq and neighbouring countries and the costs of looking after prisoners of war. About half has been covered.

Last week, the League of Red Cross and Red Crescent societies launched an urgent appeal for SFr30.7m to meet the relief and rehabilitation requirements of some 500,000 Iraqis lacking food and other necessities. The request for assistance had come from the Iraqi Red Crescent society.

Oxfam said yesterday it was willing to supply the contents of its emergency stores – shelter units, blankets and water equipment – to the agencies on the ground, providing relief in Turkey and Iran (UNHCR, Turkish Red Crescent, Iranian Red Crescent).

But the organisation stressed that access was extremely difficult because of the terrain, weather and military constraints.

It was up to the UN to assume responsibility for co-ordinating a relief operation through its specialised bodies in co-operation with governments and relief agencies.

France intends to keep up its diplomatic pressure in support of Kurds in Iraq, and may seek changes in international law to recognise a "duty of interference," Mr Roland Dumas, French Foreign Minister, said yesterday, Ian Davidson writes from Paris.

The French government this week called on the United Nations to condemn Iraq's repression of the Kurds, but its appeal was blocked by the other permanent members of the Security Council on the grounds that the UN charter rules out any outside interference in a state's internal affairs.

On Wednesday President François Mitterrand protested against this restriction, and promised that France would continue to act in favour of the Kurds even if this meant breaking ranks with the international community. Mr Dumas said: "The law is one thing, but the safeguard of a population is another, quite as precious, to which humanity cannot be indifferent."

Yesterday he went one step further, and indicated that the French government would engage in a process of "reflection" on the possibility of incorporating the notion of a "duty of interference" in international law.

In testimony to the Senate foreign affairs committee, he said that the government might submit proposals to the international community. He did not disguise the juridical difficulties involved in such a change in international law.

Contractors see end to wrangle over stalled projects

By Andrew Baxter

CONTRACTORS and banks involved in a multi-billion dollar wrangle over stalled projects in Iraq expressed cautious optimism yesterday that an end to the dispute may be in sight.

Tucked away in the 3,700-word Security Council resolution on conditions for a permanent ceasefire in the Gulf war is a short paragraph that holds the key to a solution for the complex issue of performance bonds on Iraqi contracts.

The bonds are common practice in the Middle East, and typically involve up to 10 per cent of the value of a contract.

They are lodged with banks in the customer's country, and in many cases can be called on demand by the customer without the need for proof that the contract has been broken.

The imposition of sanctions froze the process under which the Rafidain Bank in Iraq could make a counter-claim against a western bank in the event that a bond was called, but contractors have been worried that their Iraqi clients would launch an avalanche of claims once sanctions were lifted.

The clause in the UN resolution says all states, including Iraq, shall "take the necessary measures" to ensure that no claims are made in connection with any contract or other transaction whose performance was affected by sanctions.

UK contractors have been particularly concerned by this possibility, because of a system of indemnities held against them by the UK banks which counter-guaranteed Rafidain Bank.

Mr Nigel Alinton of Hogg Insurance Brokers, who has been co-ordinating UK contractors' response to the threat, said the adoption of the resolution should make it easier for the UK to introduce legislation to ban payment on the bonds.

However, the reduced risk would increase the pressure on the UK banks to release the contractors from the counter-indemnities, he said. Because these count as borrowing, smaller exporters in particular had been prevented from replacing the business lost in Iraq.

Several problems remain before the issue can finally be resolved. Iraq has to accept the resolution, and one contractor closely involved in talks with the UK government expressed unease about the position of Yemen, which abstained from voting on the Security Council resolution.

The contractor was concerned that Iraq could make an order in its own courts in favour of the contract client and then freeze the assets – in Yemen or another third country – of the western bank guaranteeing the bond.

Consequently, bankers will be watching to see how widely accepted the resolution becomes, said Mr Bob Blower of the British Bankers Association. He added that adoption of the resolution was an "extremely good first step," although significant technical problems remained.

Some contractors have been upset by the apparent slowness of the UK Department of Industry to produce proposals that would ensure the performance bonds would not be called after sanctions were lifted.

But Mr Alinton pointed out that it was the British government that put the clause into the revolution in the first place.

Yesterday, the DTI said it was pleased there had been a multilateral approach to the problem, and it would now begin to consult widely on the next steps.

UK pressed on HK human rights

By Michael Littlejohns, UN Correspondent

A UN panel of jurists is urging the British government to ensure that human rights in Hong Kong are fully safeguarded after the territory reverts to Chinese sovereignty in 1997, by putting in place irreversible protective laws and a requirement for regular reports to the world body.

The issue is delicate because China has not acceded to the International Covenant on Civil and Political Rights although it has agreed the instrument will continue to apply in Hong Kong after the transfer of sovereignty.

Mr Douglas Hurd, the UK foreign secretary who is visiting China, said in Hong Kong this week that he would take up the human rights question.

The issue was discussed in the 18-member committee on human rights this week for the first time since 1988 in the context of Britain's report on the situation.

British and Hong Kong representatives faced sharp questioning about their government's rights policies from delegates, many of whom had been briefed by lawyers and journalists from the territory who came to New York to observe the hearings.

Last night, Mr Charles Goddard of the Hong Kong Journalists' Association, called the government responses "insubstantial and evasive". But he said the lobbying groups were encouraged that the issue of human rights in Hong Kong now was firmly on the UN agenda.

Mr Adrian Beamish, the UK foreign office representative, assured members that other views would be conveyed to both governments. But he emphasised that the Basic Law was created by China and it was not for British representatives to explain its position.

Australia cuts interest rates by half a point

AUSTRALIA'S Labor government eased monetary policy yesterday for the first time this year, cutting interest rates by half a percentage point to try to breathe life back into a weak economy, Reuter reports from Canberra.

The cut sent the Australian dollar surging 40 points to US$0.7830 as dealers, who had taken lower positions in expectation of a cut of a full percentage point, bid up the currency.

Rates were cut by the Reserve Bank of Australia to about 11.5 per cent from about 12.0 per cent, making a total reduction of 6.5 percentage points since January 1990.

Australia's largest private bank, Westpac Banking Corp, lowered its prime rate soon after to 15 per cent from 15.5 per cent, effective on April 12.

Announcing the official cut, Mr Paul Keating, the Treasurer said the easing was prompted by figures suggesting lower inflation. Future cuts would be made based on further improvements in the economy.

Until then, policy would remain tight because of the country's high current account deficit, running at around A$1.5bn ($1.17bn) a month, and the danger that inflation might spiral again.

"Further reductions in rates will depend on developments in the economy and on the course of inflation," Mr Keating said in a statement.

The easing "follows a review of developments in the economy, particularly in light of the progress that is being made in reducing inflation and inflationary expectations," he said.

Inflation for the quarter to December was 6.9 per cent but economists said the underlying rate, as measured in last month's gross domestic product data was closer to 5 per cent.

Buildings attacked in Auckland demo

By Terry Hall in Wellington

ABOUT 100,000 people took part in angry anti-government demonstrations in New Zealand yesterday in what police said was the nastiest protest since the 1981 Springbok tour, which divided the country under the previous National government.

Unemployed people attacked buildings in Auckland, and unionists burned effigies of ministers, at the start of what is a planned week of demonstrations. Some 50,000 teachers went on strike nationwide demonstration.

Protest has been mounting steadily since the National Government of Jim Bolger roundly defeated Labour in November, and stepped up a programme to put in place many of the New Right economic reforms that Sir Roger Douglas, the former Labour finance minister, was unable to implement.

The main target of yesterday's protests was the government's proposed Employment Contracts Bill which aims at bringing greater flexibility to the work force in a series of measures which undo much of the labour relations laws drafted over the past century.

The controversial bill abolishes compulsory unionism, wipes out national awards, and requires employers and workers to forge individual or collective contracts with a bargaining agent, not necessarily a union, of their choice.

However, thousands of unemployed and social welfare beneficiaries protested at sweeping welfare benefit cuts.

These cuts flesh all benefits in what was once regarded as the model welfare state. For example, married sickness and unemployed beneficiaries with one child receive NZ$28 a week. There is also a 26-week stand-down without benefit for unemployed people who refuse jobs and redundancy pay is calculated into benefit calculations.

Critics say the dole cuts make it impossible for many to cope. But the government says the sharp cuts are necessary to stamp out dole abuse, because the country can no longer afford the cost, and to force people to find work.

Although the proposed Bill has the support of the employers' federation, most major employers are opposed. They argue that it will make their work places unruly, with highly skilled workers who cannot easily be replaced forming small elite unions of less than ten people, who can demand individual contracts to the detriment of the company. They want a continuation of the status quo of dealing with major unions.

Critics say the steps are meant to force New Zealand into a low-wage economy at a time of recession and unemployment when employers already have the upper hand, and the unions have shown a considerable flexibility to save jobs over the past three years.

They point out that the Minister of Finance, Ms Ruth Richardson, has spoken of the need for a low-wage economy.

On television last night, the architect of the Bill, Labour Minister Bill Birch, acknowledged for the first time that he agreed with Ms Richardson's views, although he argued that sweeping labour market reforms were essential building-blocks towards a healthier economy and to bring productivity and growth.

Mr Birch said the teachers, in taking a national strike action, have been misled by their union leaders, but their spokespeople said their protests will continue because the Government's real agenda is to slash education spending.

Democracy group launched in Indonesia

By Claire Bolderson in Jakarta

LEADING members of Indonesia's religious, cultural and intellectual communities are launching a movement to push for greater democracy in Indonesia.

The group, called Forum for Democracy, is made up of 45 prominent Indonesians under the chairmanship of Mr Adurrachman Wahid, who also heads Indonesia's biggest Moslem organisation.

Mr Wahid was quoted in the Indonesian press as saying that the group will be an educational forum aimed at nurturing political and cultural consciousness among the Indonesian public.

He said the movement was created because of "concern about political development in the country lately which tends to be divisive with each societal group thinking in terms of its own interests."

While Indonesia had observed democratic procedures "the spirit of democracy is still missing," Mr Wahid said.

Mr Aristides Katoppo, another member of the forum and a senior editor of one of Indonesia's leading newspapers, said that the movement, formed one year before Indonesia's next general election, would act as a channel for discussion and comment and for the freedom of expression.

The group "is not meant to be something hostile to the government but wants to provide independent views, not dictated from the executive."

Indonesia practices what it calls "Pancasila Democracy" which is based on national ideology and emphasises consensus and unity.

But critics say the system is rigidly controlled and authoritarian. Opposition or dissent has met with harsh measures from the authorities and the press is highly restricted.

In the past, there have been calls for greater democracy from dissident figures and from groups of students, but their position on the fringes of society, or "outside the system", as officials often refer to them, meant they were easily dismissed by the Indonesian authorities.

Observers say, however, that Forum for Democracy, most of whose members are part of the existing system and of established society, are likely to prove a much stronger voice in favour of democratic change in Indonesia.

Campaign goes astray in Tokyo

Ian Rodger reports on a sudden raising of the election stakes

THE campaign to elect a new governor of Tokyo got off to an amusing start a few weeks ago with a television personality and a former wrestler, among others, taking on the 80-year-old incumbent.

Since then, the campaign has become deadly serious, with national, not merely local, significance; the future of the cabinet of Mr Toshiki Kaifu could now depend on the outcome of the April 7 vote, and the prospects for the prime minister look poor.

How this sudden raising of the stakes has come about takes some explaining; the Gulf war was one key factor and the Japanese insistence on respecting the elderly was another.

In the run-up to the campaign, it was generally expected that Mr Shunichi Suzuki, who has enjoyed support from all main parties during his 12 years in office, would again win endorsement from most parties and be an easy victor.

In the event, one of the minor opposition parties, the Buddhist-based Komeito, decided that some of the metropolitan government's recent architectural extravagances, including a spectacular new Y145bn ($1bn) city hall and a gorgeous concert hall, were well beyond what its frugal members would appreciate.

In normal times, that would not have made any difference. Komei (otherwise known, euphemistically, as the clean government party) is not a major political force in the land, or even in Tokyo. However, these are not normal times.

The party's importance in national affairs rose suddenly early this year when the ruling Liberal Democratic Party (LDP) decided to contribute $9bn to the multinational forces in the Gulf, an action requiring parliamentary legislation, itself tricky because the LDP lost its majority in the upper house in 1989.

The obvious, instant solution was to enlist the support of Komei, which had enough seats in the upper house to enable the government to carry the day. Komei officials, not innocent in the Japanese political art of horsetrading, named their price – that the LDP drop its backing in the Tokyo election for Mr Suzuki. Mr Ichiro Ozawa, the LDP's tough, young secretary general, bluntly told Mr Suzuki he was not wanted, and agreed to put the LDP's muscle behind the candidate preferred by Komei, Mr Hisanori Isomura, a distinguished television news personality.

However, the LDP's Tokyo branch was deeply offended by this rough handling of the governor, not least because it insulted an older man, which is not in the Japanese confucian tradition. What had initially seemed a close run race between Mr Suzuki and Mr Isomura was transformed by the sympathy bandwagon behind the incumbent to the point that he is now expected to win.

A defeat would be mildly embarrassing for Mr Isomura, although it is now widely believed that the LDP will reward him for his troubles by making him ambassador to Paris.

But it would be a setback for the ambitious Mr Ozawa, who orchestrated the whole scheme. As it would be his second upset in six months – he failed late last year to pass legislation enabling the government to send troops to the Gulf – he would have little choice but to offer his resignation.

LDP members say the prime minister would almost certainly ask Mr Ozawa to stay on, since Mr Kaifu's administration is heavily dependent on the secretary general. If he let Mr Ozawa go then he would soon face pressure to quit himself. Also, internationally-minded LDP MPs respect Mr Ozawa's efforts to rally party support for the Gulf financial package. They recognise that the secretary general acted in what he saw as Japan's best interests.

However, even if both Mr Ozawa and Mr Kaifu survive the crisis, they will face increasing pressure from rivals for high office. With only five months to go before the end of Mr Kaifu's term as LDP president (and hence prime minister), other would-be leaders are beginning to stir themselves.

As a compromise leader with a minimal power base, Mr Kaifu's survival in office is the result of the party's inability to find a way to replace him. Until now, all its senior leaders were still tainted by association with the Recruit bribery scandal, but they were powerful enough to prevent younger men from getting in. Today, while the Recruit scandal may not be forgotten, these senior faction leaders – men like Mr Noboru Takeshita, the former prime minister and Mr Kiichi Miyazawa, the former finance minister – sense that the time may be right for a comeback.

For one thing, the opposition parties have become less effective – mainly because of their dithering on the Gulf crisis. Also, the prestige of the ultimate LDP power broker, Mr Shin Kanemaru, was tarnished two months ago when his personally-selected candidate for governor in his own prefecture was defeated. Mr Kanemaru has, godfather-like, dominated decision-making in the party for the last year and has made no secret of his wish to see the Takeshita generation of forgotten and new leaders, such as Mr Ozawa, brought forward.

It is still too early to forecast how things will work out, and all the indications are that the LDP leaders themselves are still feeling their way. Among the noteworthy events of the past few weeks was a dinner meeting between Mr Takeshita and Mr Miyazawa on January 4. Mr Miyazawa was then seen last Saturday dining with Mr Ozawa, and on Monday with Mr Michio Watanabe, leader of another faction. (LDP leaders tend to plot among themselves in posh restaurants rather than smoke filled rooms.)

Moreover, there is still potential for surprise in the Tokyo election. As always in Japanese politics, an inch ahead lies total darkness.

Ichiro Ozawa: setback for an ambitious man

Seoul opposition groups to merge

By John Ridding in Seoul

MR Kim Dae Jung, leader of South Korea's largest opposition party, said yesterday his party was to merge with a dissident group in an attempt to unite opposition forces and expand the regional base of his party's support.

The new party, which will be formally launched next week, will be called the New Democratic Union. Despite the inclusion of dissidents, it is expected to hold policies similar to those of the Party for Peace and Democracy, which Mr Kim currently heads.

Mr Kim and Ms Lee Woo Jeong, leader of the dissident-backed Party for New Democratic Alliance formed at the end of last month, said the aim of the new party, was "to thwart the ruling Democratic Liberal Party's plot to prolong its power and to achieve a transfer of power in 1992."

Mr Kim said he was seeking to extend the geographical support of his party. Currently, the PPD, which has 70 seats in the 298-seat national assembly, has support within the Cholla region in the south-west of the country and in Seoul, which is home to many immigrants from Cholla but has little outside these areas.

Outlining a nine-point policy platform, Mr Kim said the new party would subscribe to a market economy, independent diplomacy, and morality in politics. The NDU would have a collective leadership, the precise form of which would be decided over the next few days.

WORLD TRADE NEWS

Brazil to scrap import quotas for car industry

By Christina Lamb in Rio de Janeiro

BRAZIL has taken its most significant step yet towards freeing its highly protected motor industry by ending import quotas and for the first time allowing unhindered importation of foreign cars.

Such imports were allowed for the first time last July, but until yesterday, only those makers based in Brazil or who had an agency there could import cars. The limit then fixed was 10 per cent of Brazil's total imports, a quota set at $2bn (£1.1bn) by the Economy Ministry last year. Vehicles could be imported only from the home country of the manufacturing company.

All these limits have now been scrapped under Brazil's trade liberalisation process begun last July. "Now we can really say car imports have been liberated," Mr Roberto Lima, president of the Brazilian Association of Vehicle Importers, said.

It is unlikely Brazil will now see an explosion of car imports. Duties remain high at 60 per cent, and sales and state taxes are among the world's highest. Brazil's Association of Vehicle Producers estimates these costs add a 300-400 per cent premium to imported-car prices.

Under the liberalisation programme, duties are planned to fall to 50 per cent next year and 40 per cent in 1993. Importers also need a licence from the Environmental Protection Agency to ensure pollution control.

Since the liberalisation programme was launched, the only significant import has been that of Soviet-made Ladas, now the cheapest car available in Brazil. The government has ignored producers' claims that to achieve this price, Lada must be dumping.

Volvo and Jaguar are expected to begin exporting luxury cars to Brazil for upper-range consumers, while Suzuki and Land Rover also have plans to move into the market.

Brazil's car producers view with distaste these developments, complaining that their ability to compete is being hindered by restrictions on the import of components.

But the Collor government, locked into a battle to destroy Brazil's powerful cartels and cut inflation, has little sympathy for the car makers, whom it regards as a bastion of protectionism.

Since the 1950s, car makers have been protected by import bans and high tariffs. Three companies, Autolatina, the holding company for Ford and Volkswagen, General Motors and Fiat, account for 98 per cent of domestic sales.

The vehicle makers remain one of Brazil's biggest employers, but how far their lobbying strength has slipped was shown recently by the government's refusal to slow the tariff reduction timetable in response to threats of huge lay-offs by Autolatina.

Mr Robert Mosbacher: hoping for a stroke of trade good luck

Mosbacher launches test of Japan trade 'openness'

By Robert Thomson in Tokyo

PAINTING in one eye of a Japanese *daruma* good-luck doll, Mr Robert Mosbacher, US commerce secretary, yesterday celebrated the launch of a programme intended to test Japan's openness by guiding a select group of 20 US companies into the local market.

Mr Mosbacher's visit is aimed at boosting US exports to Japan. The programme has been criticised in the US press for giving a few companies preferential treatment.

Japanese tradition says the *daruma's* other eye is to be painted in when an ambition is fulfilled; Mr Mosbacher suggested that a traditional US standard would be used to determine when he should complete the artwork: "To use a crass American term, when the cash register rings in a big way."

Companies selected for the Japan Corporate Programme are intended to represent a cross-section of corporate America, and the Japanese government considers the initiative could have an important, longer-term influence on Washington's attitude to trade disputes.

Each of the 20 companies has given a five-year commitment to make four visits to Japan each year, to publish product literature in Japanese, and take part in at least one trade promotion event annually.

The US department will monitor the companies' progress, and intends to compile weekly reports on their contacts with Japanese officials and businesses. Eventually, the companies' experiences will be documented as "success or failure" case studies in the Japanese market.

Japan's Ministry of International Trade and Industry (Miti) believes the scheme has long-term political significance, given the Commerce Department's active role in most trade disputes.

Efforts will be made to ensure the 20 companies develop favourable opinions about Japan.

But Mr Eiichi Nakao, Japan's trade minister, stressed last night that services provided to the participants would be available to all US companies.

"This is an extremely constructive project. I am sure these companies will achieve a great success in this market."

Philips develops light bulb to last for 15 years

PHILIPS, the Dutch electronics group, has developed a new lighting system it describes as a breakthrough like the invention of the incandescent light bulb 100 years ago, Robert van de Krol reports from Amsterdam.

The company said the new type of lamp, based on the principle of induction lighting, would have an exceptionally long life and high energy efficiency, making it useful where maintenance is costly or difficult. In tunnels, for example, the new lights would need replacing once every 15 years, an advantage outweighing their higher price.

Products based on Philips' new lighting system will be launched in Europe in September. The light will be formally unveiled on May 16. The new light, to be sold under the name QL Induction Lighting, contains no filaments or electrodes.

Third successive year of growth for shipbuilders

THE world shipbuilding industry recorded a third successive year of growth in 1990, with the number of merchant vessel completions rising by 79 to 1,672, Lloyd's Register of Shipping said yesterday, Richard Tomkins writes. Gross tonnage completed was 15.9m gross tonnes (grt), up from 13.2m grt in 1989, and the highest since 1986.

The revival reflects the ageing of the world merchant fleet rather than shortage of capacity. After a time when depressed freight rates discouraged owners adding to fleets, some ships have become so old that the cost of replacing them is justified by the increased efficiency of new vessels.

The upturn seems set to continue. Despite a dip in new orders towards the end of the year, caused by the Gulf war, total tonnage of vessels ordered in 1990 - 24.1m grt - was the highest since 1974.

Asean neighbours attracted by 'growth triangle'

Peter Montagnon and **Paul Taylor** on an experiment to stimulate regional economic co-operation

LITTLE more than a year after the go-ahead was given, the first manufactured goods are now leaving the Singapore-managed industrial park hacked out of the jungle on the nearby Indonesian island of Batam.

The speed with which factories have been erected is testimony to the enthusiasm with which Singapore and its neighbouring countries have embraced a new spirit of triangular economic co-operation.

The so-called "growth triangle" links Singapore to the south Malaysian state of Johor and to Indonesia's neighbouring Riau islands. In concept it is similar to the development of the Shenzen special economic zone in southern China.

The triangle provides for Singapore what Shenzen has done for Hong Kong – extra manufacturing resources and a plentiful supply of cheap labour for a territory that was running up against its capacity limits.

The 500 hectare park, costing according to some estimates S$700m (£225m) to develop, could eventually employ over 100,000 people, easing the current acute strain on Singapore's labour market.

In return, Singapore says it is helping its neighbours by financing their development, creating employment and by allowing them to ride piggy-back on its well-developed infrastructure, including its port and telecommunications.

Singapore officials say they have convinced their Indonesian and Malaysian counterparts that the triangle centred on Batam Island holds benefits for all

The development of the triangle was a consequence of the rapidly increasing regional investment flows as industries move in search of the cheapest production locations.

But in the longer term it may also help break down broader barriers to trade in goods and services within a region where governments traditionally prefer to think of themselves as competing rather than trading with their neighbours.

"It's an indication of what can be done", says Mr Lee Hsien Loong, Singapore's trade and industry minister. "It's changed the mood from one of looking not only at markets in the developed countries but also at what is happening in the region."

Visiting Batam today, one might be forgiven for thinking that this was something of an overstatement. With its tiny harbour and single petrol station, it is a world apart from the glistening skyscrapers of Singapore.

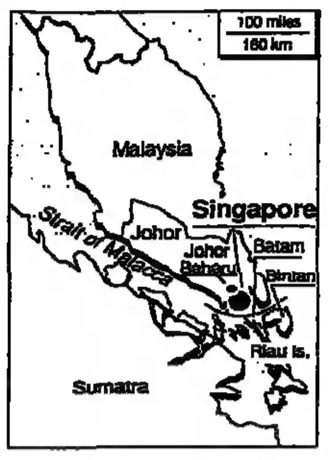
Yet the first 100 hectare phase of the industrial park is fully reserved by a total of nearly 40 companies. Officials talk confidently of employment there rising to 20,000 by the end of the year, and the concept of growth triangles is spreading. Malaysia is considering a similar arrangement linking Penang to northern Indonesia and southern Thailand.

Establishing the industrial park was a challenge for Batamindo, the joint venture between Indonesia's Salim Group and two government-controlled Singapore companies, Jurong Environmental Engineering and Singapore Technologies.

Batamindo has had to provide not only water and power for the site. It has also erected a microwave transmitter that can plug into Singapore's telecommunications network.

According to Ms Tan Bee Kim, a Batamindo marketing executive, it is now in a position to offer a complete package to foreign investors, providing them with both a factory and a staff.

"We take care of all the red tape," she says. A foreign investor using the park is spared the need to make its own land lease deal under Indonesia's complicated law. Batamindo also procures the permits under which foreign investors benefit from a special concession allowing 100 per cent ownership of its Batam operation for the first five years.



Imported inputs receive duty free access to Indonesia, while finished products benefit from the duty exemptions in the industrialised countries under the Generalised Scheme of Preferences. The factory rental cost is roughly the same as that in Singapore, but wages on Batam are a quarter of those in Singapore and a tenth of those in Japan.

So far two companies have established themselves in the park, Sumitomo Electric Industries, which assembles wire harnesses there for installation in Toyota cars, and Thomcon Consumer Electronics, which makes parts for television sets and video recorders.

According to Mr J Kiriyama of Sumitomo the advantages are offset at least partially by the time it takes to ship products out. Toyota may abruptly change the required specifications during the six weeks the harnesses are en route for Tokyo, necessitating expensive modifications on arrival there.

Some Japanese and US business electronics executives say Batam's attractions are still limited compared with other low-wage centres like Bangkok. There is no housing for management, few recreational facilities, and there are still problems routing international telecommunications through Singapore rather than Jakarta.

Their conclusion is that for the time being Batam is suitable only for very low-technology assembly. Those wishing to undertake more sophisticated processes may need to wait a couple of years while remaining infrastructure problems such as telecommunications are ironed out.

Singaporean officials believe they will eventually attract the necessary critical mass of foreign investors. They say they have convinced their Indonesian and Malaysian counterparts that the triangle holds benefits to all, and is not just a question of Singapore extending its economic muscle.

For Singapore, one of the tangible benefits – apart from easing the strain on its labour market – is the opportunity eventually to secure an alternative supply of piped drinking water from Indonesia which will lessen its dependence on Johor. Less tangible, though nonetheless important, is the notion that the door is being opened for broader regional economic co-operation.

So far a formal memorandum of understanding on the operation of the triangle exists only between Indonesia and Singapore. Day-to-day co-operation with Malaysia remains good, however, and economic ties with Johor are already close as many Singapore-based companies have already established plants there.

The weakest link is between Malaysia and Indonesia. According to one stockbroker in Singapore who has followed the development closely, this is the big political question mark. Even the sceptics concede, however, that the triangle marks the start of a process that could eventually make for regional economic integration on a much larger scale.

Bow Group seeks veto on European federalism

TWO senior members of Britain's Bow Group, which is fighting to preserve national sovereignty in the European Community, have launched a proposal aimed at preventing "creeping federalism" in the continent, writes Ivor Owen.

A paper published today by the group, which has been linked in the past to policy-making in the Conservative party, calls for national parliaments of the 12 member states to have the power to veto any attempt to invoke the provision in the Treaty of Rome designed to extend the competence of the EC into new areas.

The authors - Mr Anthony Teasdale, a former adviser to Sir Geoffrey Howe when he was foreign secretary, and Mr Quentin Huxham, a political assistant at the European Parliament - argue that the introduction of the veto would allay the anxieties over the federalist tendencies of the EC.

In the paper, entitled National Parliaments and the European Parliament, they claim that conferring a power of veto on national parliaments would provide an important "long-stop" for those who believe that the jurisdiction of the EC should be more clearly defined.

In addition it would bolster the operation of the "subsidiary" principle intended to ensure that policy areas best handled by national governments are not brought under the EC umbrella.

The authors also back the British government's objectives in seeking to strengthen existing budgetary control in the community to counter complaints that the Court of Auditors, which scrutinises how the EC spends taxpayers' money, is not strong enough.

Their paper advocates new procedures to involve national parliaments more closely in scrutinising the raising and spending of EC revenue.

Institutional reform is, meanwhile, on the agenda for next Monday's meeting in Luxembourg of the EC heads of government.

● *National Parliaments and the European Parliament: to improve democratic accountability in the EC. A Bow Group memorandum.*

TRAVEL INDUSTRY

Tour operator collapses as recession hits bookings

By David Churchill, Leisure Industries Correspondent

THE crisis in the British travel industry took a new twist yesterday when the one of the country's longest-established tour operators, Hickie Borman Grant, went into administrative receivership.

The company, founded 152 years ago, provided specialist holidays in the US and Canada. Only 120 holidaymakers were abroad yesterday when the company folded and all will be able to complete their holiday as planned.

A further 240 customers who had booked with the company will get their money back from the bond lodged with the Association of British Travel Agents (Abta).

Hickie Borman was chaired by Mr Vladimir Raitz, generally credited with creating the modern concept of a package holiday.

In 1949 he hired an ageing Dakota aircraft to take a group of Britons on an all-inclusive holiday to Corsica for £32.50 a head.

The company blamed a lack *of cash flow as a result of the* Gulf war affecting bookings.

Pergamon AGB, part of Maxwell Communication Corporation, has a £40,000 minority investment in the company but said yesterday it had no active involvement with Hickie Borman and was not involved in its collapse.

Midland Bank, Hickie Borman's bankers, said last night that it had been asked by the company to appoint an administrative receiver as soon as possible.

Hickie Borman's collapse is likely to be the first of many small specialist tour companies and travel agents forced out of business in the coming months as a consequence of the recession and slump in bookings caused by the Gulf war.

Although sales have recovered since the war ended, they are still expected to be some 20 per cent down in volume this year in comparison with 1990.

Most of the companies going out of business will be covered by an Abta bonding arrangement since they involve charter air travel. However, the *cost of any holidays involving* rail, coach and ferry travel which are not bonded will have to be met from Abta's own reserves.

Abta has asked the government to impose a consumer levy on all package holidays this year to cover the liability for these holidays. The Department of Trade and Industry said last night that it was considering Abta's request for a levy.

Hickie Borman Grant, founded in 1839, is not Britain's oldest travel company. Cox & Kings, which specialises in long-haul holidays to India, was founded in 1758. Thomas Cook, one of the UK's largest travel agencies, was founded in 1841.

● Partners in the Leeds office of Ernst & Young are expected to be appointed today as receivers of Adventure Travel International, the school tours operator which ceased trading last week.

Mr Alan Bowen, Abta's head of legal services, yesterday inspected ATT's records in Shipley, West Yorkshire, to *discover what refunds* will be due to its customers.

Disharmony breaks into bland world of canned music industry

By Raymond Snoddy

A DISCORDANT note has been struck in the harmonious world of background music.

A new British company, International Music Services, has been set up to challenge the existing players in the $200m a year business of relaying non-vocal versions of such classics as Tie A Yellow Ribbon on the Old Oak Tree and Raindrops Keep Falling On My Head to restaurants, hotels and shops worldwide.

"It's not great art but it's a very good business," says Mr Julian Huckin, chief executive of IMS which will be competing against the giants of the background music business such as Musak of the US and Rediffusion Music of the UK, the BET subsidiary. Other players include Audio Environment Inc, 3M the tape company and Phillips the Dutch consumer electronics company.

In the UK alone, Mr Huckin believes, as many as 50 companies provide sweet sounding, unobtrusive middle of the road music on never ending tapes.

The music offered by different companies isn't all that different. Competition rests in the cost of securing music rights and supplying equipment.

"Like much of the rental business the margins are good," said Mr Huckin, a former export manager of Rediffusion Music.

IMS says it already represents 43,000 music clients around the world.

Mr Huckin said shareholders included former overseas agents of Rediffusion. "The pricing policies of other international major corporation such as Musak and Rediffusion have reduced the ability of overseas agents to compete effectively in their national markets," he added.

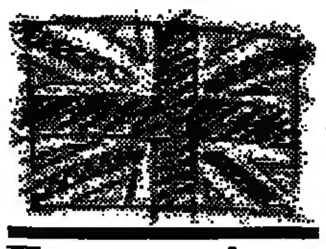
Rediffusion Music, however, insisted that it had continuing contracts and good relations with clients in all the major European countries.

Mr Chris Ring, managing director of Rediffusion Music also expressed scepticism about IMS claim that it already had 43,000 clients.

"It's taken Rediffusion since 1957 to reach 45,000 clients worldwide," he said.

Whoever provides it the cost of canned music doesn't seem very high - at least in financial terms.

BRITAIN IN BRIEF



Economists pessimistic on economy

Pessimism among private-sector economists about the outlook for the UK economy this year has increased in the past month, according to a poll of independent forecasts compiled by the Treasury.

The average forecast in March among 26 City institutions and commercial groups was for UK output to drop by 1.1 per cent in 1991. In February, the same forecasters had said output would fall by 0.6 per cent.

Unemployment is expected to reach 2.44m, a rise of nearly 500,000, by the end of the year, according to latest poll. In February, the economists were predicting unemployment would reach 2.31m.

However, they believe a recovery will start later in 1991 and that output will grow by 2.1 per cent next year.

Computers stolen to order

Computers, photocopiers, printers and other large items *of office equipment* are being stolen to order and re-sold as bankrupt stock, according to police.

The systematic robbery, usually from small businesses, has been identified by the West Yorkshire force, which has made a computer analysis of patterns of crime in Bradford, northern England.

They found that £1.57m of expensive electronic capital *items were stolen from offices* in the city last year.

Burglaries took place overnight or at weekends by gangs posing as removers or service company personnal.

The "market" is relatively new, following the office technology revolution and the spread of personal computing. Previously, many small businesses with low-value equipment were not worth stealing from on an organised scale.

Police are now studying classified advertisements in local newspapers nationwide for offers of cheap office equipment in general and computers, photocopiers and printers in particular.

United Airlines inaugurates flights to Heathrow

Alan Harper

A United Airlines Boeing 747 from Washington DC touches down (above) at Heathrow early yesterday morning, the first UAL flight into the airport since it took over routes from ailing Pan Am as part of a route-swapping accord. The flight carried company chairman Stephen Wolf, who said he is renegotiating United's marketing agreement with British Airways on the routes where the two airlines are now competing.

Barbican arts funding rises

The future of the Barbican arts centre in the City of London has been assured as the Corporation of London has agreed to increase its funding for the two resident companies, the Royal Shakespeare Company and the London Symphony Orchestra.

For each of the next three years the RSC will receive £1.35m, and a further £393,340 has been added to the grant for the LSO, bringing the City's support for its resident orchestra to £1,042,000, which matches Arts Council support.

BR challenged on services cut

British Rail faces a challenge over its right to impose further cuts in loss-making regional passenger train services with the introduction of its summer timetable in July.

The Central Transport Consultative Committee, a statutory watchdog representing rail passengers, has written to the Department of Transport suggesting that the cuts could be in breach of a ministerial direction.

The direction requires BR to provide a service "comparable generally" with that operating at the time the direction was made. Planned cuts in BR's Regional Railways sector will leave services on 37 per cent of routes below that of 1988, the CTCC says.

Thailand boycott urged

Holidaymakers have been urged to boycott Thailand until it ends an illegal trade in wildlife which threatens some of the world's rarest species.

The World Wide Fund for Nature is also writing to UK Environment Secretary Michael Heseltine asking him

Michael Heseltine: urged to ban Thai wildlife imports

to ban wildlife products exported from Thailand, such as lizard-skin handbags.

Rhinos, Asian elephants, tigers and hyacinth macaws are among species threatened because Thailand flouts the Convention on International Trade in Endangered Species, it claims.

"Thailand is probably the worst country in the world for the illegal trade in endangered wildlife," said Simon Lyster, the Fund's senior conservation officer.

£7m drug haul found on ship

A number of men have been arrested after Customs officers seized cocaine with a street value of £7m from a Philippine ship at a Humber port.

Seventy kilos of the drug, a record haul in the north-east, were found during a routine search after the carrier Clipper Alliance arrived at Immingham docks on Tuesday from Colombia via Texas.

Customs officers are continuing to search the ship.

Fifth of shops record losses

Almost one in five of the UK's top 800 retailers recorded losses last year, confirming just how tough trading conditions have become.

According to the Corporate Intelligence Group's latest Retail Rankings report, 108 retailers traded at a loss last year compared with 59 the year before.

Clothing stores have been particularly badly hit and account for almost a quarter of last year's loss-making companies.

'Oak' title flops

The title for the lordship of the manor of Boscobel in Shropshire covering the historic oak tree where Charles II hid during the Civil War has remained unsold at an auction, despite a bid of £40,000.

Imports take king coal's crown

The gritty pithead culture that embraced the Welsh valleys is being replaced by new service industries, writes Anthony Moreton

TEN years ago it was an accepted cliché that Wales was a land of song, rugby and coal. Today, while the nation's singing may remain unchallenged, the rugger has gone off and large-scale coal mining has all but disappeared.

Cheap imports from South Africa, Vietnam, Colombia, the US and China have been its undoing. The 2.5m tonnes produced by Penallta, Taff Merthyr and Tower, all in the industrial valleys north of Cardiff, go almost entirely to a single power station - Aberthaw, on the coast west of Cardiff. Their future hangs on buying decisions taken by the recently privatised power generation industry.

With the closure of the Deep Navigation pit in Merthyr Tydfil at the end of March and the announcement that Penallta in nearby Ystrad Mynach is to shut this autumn, another 800 men will lose their jobs in a part of South Wales where unemployment among men is running at around 16 per cent.

When Penallta shuts, only three deep-mine pits will remain in South Wales along with one more survivor, outside Wrexham, north Wales.

That leaves only 1,000 men in an industry that employed over a quarter of a million at the turn of the century. The inconceivable is now conceivable; it is possible to envisage South Wales without coal.

Betws, above Swansea, one of the remaining three deep-mine pits, which produces anthracite, is being reduced to the status of a small mine later this year and its workforce cut to a mere 95.

If National Power decides to buy abroad then Taff Merthyr, in Merthyr Tydfil itself, and Tower, between Aberdare and the Rhondda, will be in serious trouble.

Today's output of under 3m tonnes from the south Wales coalfield is puny compared with its 1913 production of 56.83m tonnes. Then, Cardiff alone exported 13m tonnes and the other ports along the coast also handled enormous amounts for the boilers of the world.

There were 66 pits in the Rhondda, one of more than a dozen valleys that bisect the region. Merthyr, once ringed with pits supplying its iron works, is now surrounded by small advance factories put up by the Welsh Development Agency to attract new industry.

Cheap imports may have been the final agent of destruction for the coalfields, but the fundamental cause is the difficult geological structure in the steep-sided Welsh valleys.

As the pits have aged - Deep Navigation was sunk in 1873 - and the seams have become increasingly located further from the pit head, they have become more and more difficult to work. Seams wander up and down following the contours of the land, whereas in the east Midlands and Yorkshire they lie flat.

In the days of pick and shovel this may not have mattered, but to a mechanised industry it is crucial to have an even coalface for the machinery to work efficiently.

To counter the geological problems, British Coal, the state-owned monopoly, resorted to long-wall-retreat mining - a system by which tunnels are cut either side of the seams to the point where the coal ends and the cutting is done from the back to the front. Even this eventually defeated British Coal's engineers.

Disputes have not helped, though the coalfield has been relatively peaceful since the end, in 1985, of a year-long strike. Union opposition has, however, had one serious consequence in that it prevented an investment of £90m in one new pit that would have created 830 jobs. Opposition from Mr Arthur Scargill, general secretary of the National Union of Mineworkers, to flexible six-day working in the proposed pit led British Coal to shelve the project.

An agreement with the breakaway Union of Democratic Mineworkers came too late and, with the market for home-produced coking coal falling, it is doubtful if the corporation would now go ahead with it even though the pit's 1.2m tonne-a-year projected output was intended to counter imports.

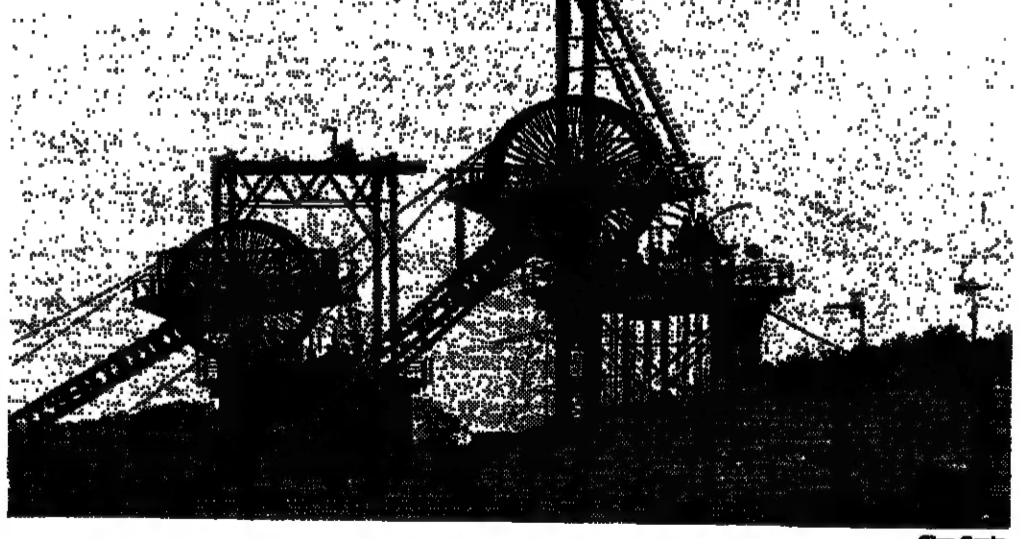
For local men looking for work the outlook is not good despite new jobs created in the area. South Wales has attracted many newcomers such as Bosch, the German producer of alternators for the motor industry, Bluebird, the toy concern and British Airways' maintenance engineering unit.

This influx has not dried up, despite the economic recession affecting the UK. At least two big financial services groups are known to be seriously considering moving to Cardiff.

The financial services industry employs over 70,000 people in south-east Wales and the figure is expected to rise above 100,000 by the year 2,000.

For the engineers, colliers, surveyors and others coming on to the job market this is small comfort. The skills required by the insurance industry do not sit easily with those of the coal mine.

Nevertheless, the valleys of south Wales have, however, adapted well to their new role. Lines such as plastic toys, office furniture, photographic products, food processing and electronics are proving that there is life after coal.



Glyn Genin

Pithead winding gear dominates the village of Abercynon, south Wales. It could become little more than a museum piece if the country's coal industry continues to decline.

هكذا من الأصل

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SAS

THE PROPERTY MARKET

US real estate faces a long and tortuous road to recovery

By Vanessa Houlder

OVERBUILT and overborrowed, the property industry is likely to miss out on the promised US economic revival. Empty office blocks, falling prices and weakened banks threaten to be a continuing legacy of the downturn which started in New York and New England two years ago and rumbled through Atlanta, Washington and South California.

Even though the end of the Gulf war and falling interest rates have raised the first hopes of recovery, the industry is still preoccupied with fundamental problems. "We are probably in the worst real estate environment since the 1930s," says Mr David Shulman, research director of Salomon Brothers, the US investment house.

The 1980s building bonanza has given way to deserted shopping malls, sparsely occupied hotels and a vast oversupply of offices which could accommodate all the office workers of New York, Chicago, Los Angeles and San Francisco put together.

This imbalance between demand and supply has afflicted most cities. "It is a national problem. It will affect all banks and all borrowers," says Mr Guilliaem Aertsen, of the real estate group at the Bank of Boston. The national office vacancy rate stands at 18.7 per cent, compared with 4 per cent in 1980 and a peak of 15 per cent in the last downturn of 1975, according to Coldwell Banker, a real estate adviser.

The rapid expansion in credit bears much of the responsibility for the building spree. Banks, deprived of corporate business siphoned off by the capital markets, channelled 60 per cent of their loan growth into property between 1984 and 1989, according to Salomon Brothers. the Residential and commercial property now accounts for 37 per cent of bank lending.

Money was also pumped into real estate by savings and loans groups, which had shed almost all the constraints on where they invested their government-insured deposits.

The result was an uncritical eagerness to lend money. "Deals were done on the back of cocktail napkins. Some were signed without the lenders even seeing the property they were financing," says Mr David Gialanella, of Cushman & Wakefield, real estate adviser. "Between 1982 and 1988, there was almost no project that could not have been financed with no equity," says Mr Richard Jennings, director of sales and financing at Landauer, a real estate counsellor.

Tax incentives also played a powerful part. Legislation introduced in 1981, designed to channel money into plant and equipment, encouraged development regardless of demand as buildings became tax shelters. "You could make money with a 25 per cent vacancy rate," says Mr Karl Case, a visiting scholar at the Federal Reserve Bank of Boston. The rules were changed in 1986, but it took several years before the buildings conceived under the act were all completed.

When the 1986 Tax Reform Act deterred domestic investors, Japanese buyers took their place. Driven by trade imbalances, the favourable exchange rates and high land values in Tokyo, Japanese investors put $6.8bn (£3.8bn) into US real estate in 1987.

US pension funds increased their total investment in real estate five-fold to $125bn during the 1980s. Much of this money was put in close to the top of the market, when investors were trying to find a more stable investment medium after the 1987 stock market crash.

As the clamour of investors mounted, the investment market began to lose touch with the fundamentals. Too much money chased too few assets; prices soared even though rising vacancy rates were crushing the prospect of income growth. Deal-making, stripped of analysis, became the motor of the industry. "Deals are my art form," boasted the most celebrated developer of the period, Mr Donald Trump.

Like a game of musical chairs, the music stopped abruptly. The country's move towards recession underlined the extreme imbalance between demand and supply, mounting losses deterred investors and the banks, reeling from the blows to their loan books, turned off the credit.

Demand from occupiers is unlikely to catch up quickly with supply, whatever the extent of the US recession. The US workforce is likely to grow slowly in the 1990s and pressures on the services sector may force an improvement in productivity, resulting in slower growth in the office workforce. Salomon Brothers reckons the US has a 10-year supply of office space.

On the investment side, too, supply has moved way out of line with demand. Developers and investors want to sell property to meet their interest costs, while banks that foreclosed on property are selling it at knock-down prices. At the bottom of the scale, the market is braced for a glut of low-grade property financed by the thrifts, which is now being sold by the government's Resolution Trust Corporation.

Long-term capital sources are shrinking. Disillusioned pension funds and life insurance companies have been withdrawing from the market. Foreign investment also appears to be on the retreat, as falls in property prices round the world persuade investors to focus on home markets. In particular, Japanese investment has been slowed by last year's collapse of the stock market and the poor performance of their US investments.

Even more important is the clampdown on bank lending, which has slammed the brakes on the property industry. "Mortgage money became a commodity. Today it is not even a question of price,"

Demand from occupiers is unlikely to catch up quickly with supply, whatever the extent of the US recession

says Mr Craig Hatkoff, managing partner of Victor Capital Group, which advises on restructuring of bad loans.

The explanation for this credit crunch is all too evident. The billions of dollars of provisions set aside by large money centre banks such as Citicorp, Chemical Bank and Chase Manhattan and January's insolvency of the Bank of New England have given banks an aversion to property lending. Their caution has been reinforced by the tough line taken by the regulators.

The clampdown on credit is likely to be long-lived. Mr Rusty Aertsen of the Bank of Boston reckons that the average US developer will be denied funds for 18 to 36 months. Although the bank says it is open for business, its criteria for new loans are daunting.

The credit crunch is widely blamed for the paralysis in the real estate market. In a survey by Arthur Andersen, 85 per cent of the real estate players canvassed saw financing constraints as the main problem facing the industry.

Others, however, suspect that it is more a pricing than a liquidity problem. Salomon's Mr David Shulman points to a wide gap between buyers' and sellers' expectations. "The lack of liquidity represents sellers' reluctance to accept that reality that prices have change," he says.

He believes there will be a fundamental change in investment psyche. Yields – the income to capital ratio – will rise above commercial mortgage rates before the cycle is over for 90 per cent of the market.

Others are less gloomy, believing that inflation will bail out the industry, as it did in the 1970s. "The re-emergence of inflation will translate into rises in real estate," says Mr Chuck Dyer, president of Hawthorne, a pensions manager.

Another hope for the industry is, paradoxically, pinned on the credit crunch. Torto Wheaton Coldwell Banker, a research group, calculates that if speculative construction of office space grinds to a halt, vacancy rates will be cut to single figures by 1995, with significant increases in rent triggered by 1994. "The office property market has the potential for rebound, both earlier and stronger than most analysts have foreseen," it says.

The vulture funds that are gathering would agree. Their goal is to emulate investors like the Reichmann family which made its fortune in the mid-1970s by buying Manhattan offices well below replacement cost at a time when New York was stricken with a fiscal crisis. "In the 1970s, a lot of fortunes were made," says Mr Steve Green, chairman of SL Green Real Estate, a trader based in New York's garment district. "We think we are seeing that time again."

This time, New York is low on the hit list of most investors. Arthur Anderson, the consulting group, believes that Seattle, which is expected to ride out the recession, has the most potential for real estate investment over the next three years, followed by Houston and Dallas, where new construction has been minimal after the collapse in the early 1980s.

But even the most enthusiastic contra-cyclical investor expects to take a long-term view. Although a healthier industry may ultimately result from the current crisis, the recovery is likely to be slow and tortuous.

RENTAL GROWTH (%)

	Retail	Office	Industrial	All Property
Year to Feb 91	3.9	1.9	5.7	3.5
Quarter to Feb 91	0.5	-0.9	0.6	-0.1
Month of Feb 91	-0.2	-0.1	0.0	-0.1

Investment Property Databank

FT LAW REPORTS

Digest of cases in Hilary term

BARCLAYS BANK PLC v KAPUR AND OTHERS
(FT, January 30)

THE employees, who were Asians of East African origin came to the UK in the 1970s and obtained employment with Barclays. Their contract specified that their past service with banks in Kenya or Tanzania should not count towards their pension entitlement.

They complained of racial discrimination because European employees who joined Barclays at about the same time, were allowed to count their past service towards their pensions. Section 68(1) of the Race Discrimination Act 1976 provided that an industrial tribunal should not consider a complaint unless presented before the end of three months "beginning when the act complained of was done", while section 68(7) provided that ... "(b) any act extending over a period should be treated as done at the end of that period;" and (c) a "deliberate omission" should be treated as done when the person in question decided on it.

The Court of Appeal refused to accept Barclays' submission that the act of discrimination was a deliberate omission within subsection 7(c), done when it decided not to credit them with previous service. Dismissing Barclays' appeal, the House of Lords stated that the pension provisions were a continuing act throughout the period of employment falling under subsection 7(b). To require an employee to work on less favourable terms as to pension was as much a continuing act as to require him to work for lower current wages.

PUNJAB NATIONAL BANK v DE BOINVILLE AND OTHERS
(FT, February 1)

THE bank opened letters of credit on behalf of export company, Esal (Commodities) Ltd, to cover purchases Esal had made for the export of commodities to Sudan. The letters of credit were secured by insurance policies placed by London brokers with Lloyd's underwriters who declined liability when the bank made claims on them, alleging misrepresentation and non-disclosure. In the bank's proceedings the defendants were two brokers and five brokerage firms.

In deciding whether the bank had relationships giving rise to duties of care, Mr Justice Hobhouse held on a preliminary issue that it was clear that the brokers owed personal duties of care to the client in the relevant brokerage transactions. They had been in communication with the bank and Esal on the one hand, and the underwriters on the other. If they were careless in discharging the brokerage function they should be under a liability in tort to the client. They were in effectively the same relationship of proximity to the client as was their employer, the brokerage firm, in so far as they were personally involved and were personally careless.

EAGLE TRUST PLC v SBC SECURITIES LTD
(FT, February 5)

IN ITS statement of claim, the plaintiff alleged that the defendant ought to have known, under a constructive trust, that Eagle's money was applied in contravention of section 151 of the Companies Act 1985. Mr Justice Vinelott stated that it could now be taken as settled law that a stranger could not be made liable for knowing assistance in a fraudulent breach of trust unless knowledge of fraudulent design could be imputed to him so that there must have been something amounting to want of probity on his part. Constructive notice was not enough, though knowledge might be inferred in the absence of evidence by the defendant if it would have been imputed to an honest and reasonable man.

Therefore, in a case of this kind, to make a defendant liable as constructive trustee it must be shown that he knew that the moneys were trust moneys misapplied; or that, in the absence of evidence or explanation by the defendant, knowledge could be inferred. Assuming in favour of Eagle that if the action went to trial it would establish the truth of its allegations and the defendant would adduce no evidence, the action would nonetheless fail. In those circumstances it should be struck out.

STOKES v ENSIGN TANKERS (LEASING) LTD
(FT, February 6)

SECTION 41(1) of the Finance Act 1971 provided that allowance was available to a person carrying on a trade who incurred capital expenditure in acquiring machinery and plant "for the purposes of the trade". The Special Commissioners held that Ensign was not entitled to claim initial allowance under section 41(1).

The Court of Appeal, in allowing an Inland Revenue appeal, stated that the Commissioners correctly asked themselves whether the partnership was trading. They held that as a matter of law, that it was not trading since the "paramount" intention was to obtain a fiscal advantage but that constituted an error of law. If they found as a fact that the paramount intention was fiscal advantage, as a matter of law that was not decisive, since it postulated the existence of some other purpose which might be commercial. The Commissioners had to weigh the paramount fiscal intention against the non-fiscal elements and decide as a question of fact whether the transaction constituted trading for commercial purposes. The case would be remitted for their reconsideration.

THE OLIB
(FT, February 8)

A CHARTERPARTY provided that the shipowners were to have an absolute lien on cargo for freight, demurrage and costs even after delivery. The consignee, Enimont, failed to take delivery of a cargo liable to deteriorate in hot weather. When Enimont sold the cargo on, the owners would not release it until all expenses had been paid. Enimont issued a writ against the shipowners claiming economic duress.

In setting aside service out of the jurisdiction, Mr Justice Webster stated that the parties' agreement was to be governed by English law. If a defendant was brought to the English court against his will, it would apply the conventional test of good arguable case. But if he did not, it was a proper case for service out of the jurisdiction unless the court decided on the material before it that the plaintiff's case was, on the merits, virtually unarguable.

In the present case the shipowners themselves were under pressure and faced liability if they failed to preserve the cargo. Enimont's case was unarguable on its merits.

SHILTON v WILMSHURST (HM INSPECTOR OF TAXES)
(FT, February 12)

MR PETER SHILTON, the footballer, was transferred from Nottingham Forest to Southampton for a payment, *inter alia*, of £75,000 from Forest if he agreed to the transfer. He also agreed to accept £80,000 from Southampton if he played for them for four years.

The Revenue assessed the £75,000 and £80,000 to income tax under section 181(1) of the Income and Corporation Taxes Act 1970. Mr Shilton agreed the assessment so far as it applied to the £80,000, but disputed it so far as it applied to the £75,000. The commissioners held that the payment by Nottingham Forest to Mr Shilton was an "inducement" to him to play for Southampton, and as such was an emolument flowing from the service he was to render to Southampton.

In allowing the Revenue's appeal against a decision, both in the High Court and the Court of Appeal, that the £75,000 was an emolument "for", but not "from" his employment with Southampton, the House of Lords stated that section 181 was not confined to "emoluments from the employer", but embraced all "emoluments from employment". The section must therefore comprehend an emolument provided by a third party, who was not the employer.

Moreover, an emolument could be one paid as a reward for past services and as an inducement to continue to perform services; and second, paid as an inducement to enter into a contract of employment and to perform services in the future. An emolument "from employment" meant an emolument "from being or becoming an employee".

GREAT MARINE
(FT, February 13)

IN A majority judgment concerning a contract for the sale of a ship on the Norwegian sale form 1987, the Court of Appeal upheld the sellers' submission that their obligation was to do whatever was reasonably necessary by way of rectification, repair or renewal to obtain a clean certificate of class from ABS. It was not an independent obligation to make good. The buyers had relied on the sellers' warranty that the vessel would on delivery have her existing class fully maintained free of class recommendations and free of average damage affecting class. The sellers' obligation was to deliver the ship with a clean certificate from ABS which was the contractual measure of quality, the standard to be met. The buyers could not complain if the sellers did no more than was necessary to earn a clean certificate from ABS. Damages should be assessed in accordance with those conclusions.

Aviva Golden

Tractor holds its ground

To the uninitiated, a tractor is an agricultural workhorse with *small* wheels at the front and big wheels at the back. But British researchers are hoping to change that.

Helped by funding from the UK Ministry of Agriculture, the Silsoe Research Institute near Bedford has designed a rubber-track system which *replaces* the rear drive-wheels. The design combines the improved traction and low ground pressure of a conventional crawler with the on-road capability of a wheeled tractor.

Farmers need good traction for ploughing but also want low compaction for spraying or fertilising. The light-weight rubber tracks are no wider than a standard tyre, allowing in-the-furrow ploughing, but the ground contact patch is twice as long, spreading the load and increasing the tractor's pulling power.

The design has not yet reached final development stage. Initially, the aim is to fit the track to existing tractors in place of the rear wheels, *offering* a weight advantage over rival systems where the track is placed over the wheel.

Ultimately, however, the system could lead to a fundamental redesign of the tractor. As the track takes up significantly less space than the conventional rear wheel, the cab area could be increased without adding to the overall width.

The heart of the system is a sprocket, mounted on the existing axle flanges, through which the track is positively-driven to avoid slippage. To provide suspension, the tracks incorporate hydraulic dampers and air springs.

*Mike Dwyer, head of the ter*ramechanics group in Silsoe's mechanical engineering division, concedes that current conditions in the agricultural equipment industry may make it difficult to interest manufacturers in the idea. But, he says, "it's not all doom and gloom".

Dwyer scotches the idea that *the idea will be too radical for* farmers to accept. "There's a sizeable number of farmers who are true businessmen. They'll buy it if they see a return on their investment."

Andrew Baxter

Computer makers will next week announce an agreement on standards, writes **Louise Kehoe**

Gibraltar's peace treaty

Perplexed by the standards muddle

Twenty computer and computer software companies, including *some of the world's* largest, will next week launch an initiative to establish common hardware and software standards for the next generation of microprocessor-based computers ranging from desktop personal computers to multi-processor systems.

Leading the industry coali*tion, unofficially known as the* Gibraltar Group, are Compaq Computer, a leading personal computer manufacturer; Digital Equipment, the world's second largest computer maker; Mips Computer, a developer of high-performance Reduced Instruction Set Computing (Risc) chips; Microsoft, the leading supplier of personal computer software; and the Santa Cruz Operation, a developer of Unix software. Other members include Olivetti, Wang, Pyramid Technology, NEC and Silicon Graphics.

Members of the industry coalition say *that* they aim to "unify the industry" by estab*lishing standards that* will combine software and hardware technologies from personal computers, computer workstations and more powerful multi-processor computers.

Currently, the computer industry is split into factions that support competing "open systems" software standards aimed at making it easier to transfer software and data between different types and brands of computers. The industry is also divided between proponents of "open systems" and those whose interests lie in proprietary architectures that tie users to a single computer vendor.

These industry battles, which have raged *for* the *past* three years, have served mostly to confuse potential buyers rather than to make it easier to get different types of computers to work together. The goals of the Gibraltar Group are, however, more narrowly defined than those espoused by earlier industry *consortia*.

The new coalition is focused specifically upon creating standard microprocessor-based computer architectures analogous to the standards that created the personal computer boom in the 1980s.

Compaq, Microsoft, Digital and their partners aim to *develop two new computer* operating systems:

● A "unified" version of Unix, the increasingly popular computer operating system. This new version of Unix would combine OSF1, the version created by the Open Software Foundation, and the *Santa* Cruz Operation's version of Unix, designed to run on microprocessor systems.

● A new version of Microsoft's OS/2 personal computer *operating system, currently* under development, that will incorporate many of the features of Unix while maintain*ing links with today's wealth* of personal computer programs.

These new operating systems will be designed to run on two hardware "platforms" – the Intel microprocessors that currently dominate the personal computer market and Mips Computer's latest Risc *chip, the R4000, one of several* contenders in the workstation market battle.

This combination of hardware and software "standards" represents a potentially powerful threat to established market leaders. Coalition members have one competitor in common – International Business Machines. For IBM, any industry group that attempts to seize the right to establish standards is a challenger.

The Gibraltar *Group*'s challenge to IBM is, however, blunted by the fact that IBM has direct access to Microsoft's *latest personal computer oper*ating system developments, through its joint technology development agreements with the software company. IBM is also a founding member of the Open Software Foundation, and therefore gains access to OSF1, the version of Unix that will form the basis of the Gib*raltar Group implementation.*

Many view the industry coalition's announcement as a bid to unseat Sun Microsystems, the market leader in Unix workstations. Sun's Sparc chip is in direct competition with the Mips Risc chip. Officials at Sun are not, however, perturbed by the pending Gibraltar Group announcement. They point out that Sparc currently has a 65 per cent share of the Risc Unix market and that Mips Computer's 4000 is only a "paper product" that has yet to be manufactured.

It will be two to three years before computer products result from next week's announcement, Sun predicts. For Intel, whose *microprocessor* chips dominate the personal computer market, the coalition's endorsement of the Mips Risc chip must come as a disappointment.

Compaq, one of Intel's best customers, will now be splitting its energies between developing new Intel-based computers and those based upon the Mips Risc chips. Intel can take comfort, however, in the prospect of a broader market for its current and future microprocessor products to be created by the promised availability of more powerful computer operating systems for commercial microprocessor-based computer systems, *even if it must* share that market with Mips.

For Microsoft, which currently holds a monopoly in personal computer systems software, the new consortium represents an opportunity to promote its future product – a new version of OS/2 variously known as OS/2 3.0 or "NT".

Microsoft revealed in January its plans to develop a "portable" version of OS/2 that would incorporate Windows as well as key features of Unix. At the Gibraltar Group announcement, Microsoft will reveal that it has chosen the Mips R4000 Risc chip as the first alternative "platform" to the Intel microprocessor family.

No serious contender in the microprocessor-based computer market, whether it be an Asian personal computer clone builder or a US manufacturer of multi-processor computers, can afford to ignore next week's Gibraltar Group announcement. Many industry executives remain sceptical, *however, about the ability of* this new industry coalition to deliver upon its promises. Computer users, jaded by the false hopes raised by earlier computer industry consortia, may also have doubts.

It is clear to many that the creation of new operating systems is not the answer to *solving the complex problems* of making installed and new computers work together. Members of the Gibraltar Group insist, none the less, that this industry group will deliver products that will make computer users "winners".

A little lesson in organisation

ELECTRONIC organiser and portable computer manufacturer Psion has developed a hand-held unit for use in industrial or commercial applications for tasks such as stock-taking, quality control monitoring or for looking up prices and information.

Similar in shape to the Psion organiser, the HC range of hand-held units can be used with a range of peripherals such as bar-code readers and scanners. Each unit has a 16 bit processor, LCD screen and loudspeaker to broadcast digitally recorded speech. It is multi-tasking and can communicate back to computer systems which use IBM PC, Apple Macintosh or Unix protocols.

Psion believes the market for such hand-held machines is about to take off and points to figures from industry analysts Dataquest to prove the point. These show that the sector is growing faster than either the laptop or notebook market – at a rate of more than 90 per cent a year. From worldwide shipments of 398,000 units in 1990, Dataquest predicts the world demand will be for more than 5m units a year by 1994.

Getting a leg up on micro fibres

SMOOTHER, silkier and better-fitting hosiery is the promise of a micro yarn which will find its way around European legs by the autumn.

Although micro fibres – in which each filament is less than a sixtieth of the thickness of a human hair – have been used in sportswear and fashion garments, they have been difficult to use in hosiery because the yarn for stockings and tights needs to be incredibly light, and so is difficult to mass-produce.

ICI Fibres, of Harrogate, has overcome that problem through improvements in both the polyamide fibre and the production control techniques for making it.

Computer with a life of its own

AN AMBITIOUS project to mimic a living system is being attempted at IBM's Watson Research Centre, at Yorktown Heights near New York, writes David Fishlock.

The technique is to use computer models of the living system in order to design better experiments. It should prove faster than either in vivo or in vitro experiments, and permit tighter experimental controls.

The system which Philip Seiden, a senior scientist with the physical sciences department, has chosen to model is the immune system. Because it is one of the body's most complex systems, Seiden has simplified the challenge by concentrating on the core of the mechanism, the cellular immune system, which is responsible for the specificity of bodily reponses.

His model is based on three kinds of cell – B cells, T cells and A cells – together with the thymus, the gland which "prevents your immune system from killing you". It mimics the action of these cells together with antigens and antibodies.

Crackdown on speedy drivers

SPEEDING drivers need to be wary. For a Swedish company, Sensys Traffic of Gävle, has developed a traffic radar system which can register the speed of a car to within 1 per cent accuracy.

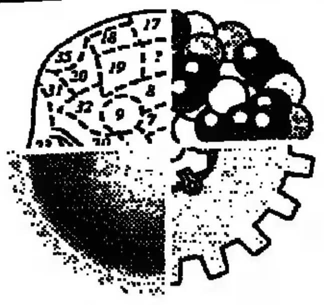
The secret of the system, developed initially for the Swedish police, is that it uses digital technology to read the vehicle speed and process the signals. Because the signals can be isolated and analysed, the radar system can check the speed of one vehicle as it is overtaking another – previously the two signals would have been muddled.

This makes the system ideal for use on motorways, where the speed of several cars can be logged at once. The manufacturers also believe that because of the degree of accuracy it will result in more successful prosecutions.

Shots fired at chilled food

SAINSBURY'S, the British supermarket chain, is conducting experiments on a "laser gun" which will help the company ensure that chilled foods are stored at the correct temperature, both during transportation and on the supermarket shelves.

The gun, developed by Raytek of Santa Cruz, California, and sold in the UK by Calex Instrumentation, of Leighton



WORTH WATCHING

by Della Bradshaw

Buzzard, uses an infra-red sensor to detect the correct temperature of the food.

The sensor measures radiation in the infra-red spectrum, which is emitted by everything, including food. The higher the temperature, the more radiation is emitted. If the food is above the minimum temperature – the gun can be set to trigger at different temperatures for different foods – the unit "beeps" and a light flashes.

In addition, the gun emits a thin, red laser light so that if any food is suspect the beam can direct the employee straight to it – right down to the individual sausage.

Time to savour the flavour

DOES your chewing gum lose its flavour on the bed-post overnight?

The answer could be a patent just granted to Columbia Laboratories, of Hollywood, California for the sustained release of flavour ingredients, so the taste remains for several hours rather than minutes.

The technique involves dispersing the flavouring agents into a continuous polymer film, which is then added to the gum base. The rate of release of the flavouring is controlled through the selection of different polymers.

The technology could also be used for gum which delivers drugs to treat gum disease as well as delivery systems for systemic drugs.

Contacts: Psion: UK, 071 262 5580. ICI Fibres: UK, 0423 722000. IBM: US, 914 945 3000. Sensys Traffic: Sweden, 26 17 23 50; UK, 0793 816047. Sainsbury's: UK, 071 921 6000. Raytek: US, 408 458 1110. Calex Instrumentation: UK, 0525 373178. Columbia Laboratories: US, 305 964 6666.

ARTS

Our Own Kind

BUSH THEATRE

There can be few more dangerous denials of humanity than the politics of racial purity, and few more treacherous. As Roy MacGregor so rightly points out in his deeply sinister first play *Our Own Kind*, racism is not simply the preserve of the thugs on the soccer terraces. They are just the foot soldiers, the conspicuous and ugly face of an evil that lies deep in the collective conscience.

MacGregor gives us the yobbish archetype of racial violence; indeed he constructs his plot around Steve, a vicious inadequate who vents his sexual frustration in the casual, drunken murder of an Asian on a canal path. But Steve is just an accident waiting to happen – an irrelevance in the grand scheme of political manipulation and public naivety. His capture and imprisonment are less significant than the passions aroused by them; his crime is merely symptomatic of underlying disease.

The play is set on an estate in Bristol, where "white trash" blame black neighbours for their disadvantages. It is classic stuff, observed with a pert and melodramatic precocity by schoolgirl Lorna (a moonfaced Charlotte Coleman), whose own family becomes ensnared in what she perceives as a monstrous evil. Her sister Sylvie is Steve's fiancée, while her father, a bus driver, witnesses the killing on his way home from a chess evening at the local club.

Neither could have foreseen their involvement, and yet their situation makes it inevitable, forcing both in their different ways to confront their own demons. He tries to blot out what he has seen; his failure to do so brings his family face to boot with the outrage of those who believe in protecting "our own kind". She tries to pretend that her engagement has a future, because marriage is the only future she has ever envisaged. Both are lonely, frightened and not very brave.

MacGregor draws these ordinary characters with an immense compassion which is picked up in Dominic Dromgoole's first class production: Gary Love quite brilliantly catches the vulnerability behind the barbarity of the unlovely Steve, while Jane Horrocks and Brian Protheroe push far beyond the stereotyped no-hopers that Sylvie and her dad first seem to be.

But the coup de grace is the personification of the National Front in the smooth and infinitely plausible character of Daines – manipulator of the rabble and fixer of consciences. There is a frisson of recognition as one realises that the seeds of social destruction might well lie in someone much like Kevin Whatley, with his sports jacket, club tie and everyday [illegible] someone ruthless, smart and affable who can block every moral compunction with apparently irrefutable logic.

The play has its faults – a certain structural uneasiness, and an ending which, without giving too much away, seems to drift into precisely the fey unreality that elsewhere is so cleverly avoided. But it marks an impressive playwriting debut for a writer of wit, eloquence and a considerable political intelligence.

Claire Armitstead

Luscious spread from the Middle Ages

Patricia Morison admires the treasure of Saint-Denis at the Louvre

For the first time since the French Revolution the treasure of the Benedictine Abbey of [illegible] has been brought together, a thought [illegible] make any lover of the middle [illegible] feel faint with anticipation. [illegible] Throne, Abbot Suger's porphyry eagle, the so-called Sword of Charlemagne and Horn of Roland... if those are names which thrill, then you cannot miss *Le Tresor de Saint-Denis* at the Louvre. The exhibition runs until June 12 and has been mounted with assistance from United Technologies.

In a perfect world this exhibition would not be in a museum but in Abbot Suger's 12th-century basilica. Today, the church is stranded [illegible] the grim suburb of Saint-Denis, its twin great towers fleetingly visible from the motorway heading north from Paris. Burial-place of the French kings, Saint-Denis is, I promise you, worth the visit.

As for the patron saint of the abbey and the French monarchy, he stands outside the exhibition in the form of a headless statue in stone. In about 250 AD St Denis was executed on the hill of Montmartre. Undeterred, he picked up his bloody head and walked north to the field where he lay down for the last time. The martyr's grave, a place of supernatural wonders, soon attracted pilgrims and over it a pious 5th-century virgin called Genevieve built the first church.

Thanks [illegible] the fantasies of the monks, the reputation of St Denis grew by leaps and bounds, above all in the 9th century when he was artfully confused with a Greek bishop converted by St Paul. Kings and aristocrats wanted to be buried in the [illegible] of a powerful saint who [illegible] smooth [illegible] heaven. When Emperor Charles the Bald died in Italy in 877, his body was carried back to lie beside the saint. For me, one of the most evocative items in the exhibition is the large Roman bath-tub of porphyry, which is believed to have been for many centuries the emperor's coffin.

The monks of the royal abbey amassed one of the most spectacular treasuries in Western Christendom. But even the most costly reliquaries were simply so much bullion, and monks and kings alike were capable of taking a hard-nosed view of their sumptuous possessions. In the 9th century the monks used treasures to ransom an abbot from the Vikings. In the 16th century they sold a massive reliquary of St John to pay the butcher's bill.

At the Revolution the citizens of Franciade ([illegible] was renamed) threw what remained of the treasure onto a cart and carried the [illegible] to the authorities. The [illegible] made their choice of "artistic" and historic pieces and the rest was sent to be melted down. The yield, however, was meagre because many treasures turned out to be wood thinly covered with precious metal. The jewellers of Paris were not excited be recycled Dark Age gemstones.

In the next decades there were more thefts and losses, but at least the bulk of the Treasure of Saint-Denis remained in Paris, divided between the Cabinet de Medailles, part of the Bibliothèque Nationale, and the Louvre. And so it remains, although after seeing this splendid but poignant exhibition, one wishes for the impossible. Could these two venerable institutions ever agree to let the treasure be exhibited permanently together?

For my taste, it is the objects which date from the 7th to the 12th centuries which have a quite hypnotic power. There survives just one filigree fragment of the great cross made in the 7th century by the very hands of St Eloi, patron saint of goldsmiths. And then there are the stupendous gifts presented by Charles the Bald. No doubt with them went his fervent prayers that, against all the [illegible] saint [illegible] help him to victory over the Vikings. Looking at the manuscripts he gave, with their bindings of carved ivory, among the loveliest products of the Carolingian Renaissance, it is all the more striking to recall the darkness gathering over the empire.

Many of the objects in the Treasury incorporate antique luxury goods. The chalice which Charles gave was an antique vase once used for libations by the worshippers of Dionysus. On the so-called "Escrain de Charlemagne", an elaborate kind of coffer made for the altar of St Denis, was a magically pretty Roman intaglio. The coffer was destroyed but the gem survives, with its exquisite portrait of the imperial princess Julia, beautiful despite her heavy chin. What a contrast it makes with the British Museum's rock-crystal pendant with its 9th-century engraving of the Crucifixion, another gift for St Denis.

From Washington comes [illegible] loan [illegible] Suger's extraordinary fluted chalice of sardonyx which he had set in a massive silver-gilt mount. From Cincinatti comes the other splendid piece to have escaped from France, the Taft Madonna. This is an exquisitely beautiful 13th-century ivory which we can here enjoy reunited with her attendants, two angels long ago detached to make a reliquary for Rouen cathedral.

And so we pass from object to object, almost every one laden with historic associations. Quite how much the non-medievalist, non-Francophone visitor, will make of this, I am not sure. For all the gleaming gold and the sparkle of gems, I felt a little too much had been asked of the objects themselves, some beautiful, [illegible] charming, [illegible] as the 11th-[illegible] century chesspieces, but many rather alien to modern sensibilities. Would it not have been better to challenge a really good designer to evoke the potent aura of the ancient abbey. Even something as simple as the shadow cast by a Gothic arch would have added a touch of drama. For the Treasure is not museum fare, but *sacred* treasure, the vestiges of a thousand-year devotion to God and his saint.


An ivory knight: piece from an 11th century chess set

Hamlet

THEATRE ROYAL, BRISTOL

At Bristol's Theatre Royal, a portrait of King Hamlet, in a ceremonial uniform that might date from the 1860s, is draped in black and taken down from the wall before we move to the Danish battlements, where the sentries carry rifles. King Claudius wears a more up-to-date kit, including a peaked cap that might have come from [illegible] the battlements, even the burial-ground, [illegible] ingeniously [illegible] by Bunny Christie, using arrays of white flats containing practical doors, that establish loca[illegible] but without descriptive [illegible] Ghost usually arises through a trap, and is such a setting, why not? There is little [illegible] the performances under Paul Unwin's direction, though, to suggest anything much [illegible] than the beginning of the 17th century.

Iain Glen's Prince is madder than [illegible] in the current fashion. Always a bit hysterical in his behaviour, he begins at once to show eccentricity after his talk with the Ghost (Peter Copley), and later is positively self-conscious about it – "my wit's [illegible]" is accompanied by gestures around his skull. When he tells Polonius (Bernard Gallagher, very good) that he knows him for a fishmonger, he throws his coat-tails over his shoulders, and later, when the old man is on about the players, he tries to climb up the wall. He is very rough with women; he seizes Ophelia round the throat, and throws his mother to the floor.

The general speaking of the company suggested to me that they should have spent more time on the punctuation. Hugh Ross's Claudius puts a full point in almost every line in his first scene, though he grows more expressive later. Hamlet's "And smelt so? Pah!" comes out as "And smelt so par." There are some accentua[illegible], too, that give dubious meanings. On the credit side, Diane Fletcher is a fine Gertrude, youthful in [illegible] and [illegible] to be [illegible] of the 30-year-old Hamlet. Bernard Gallagher sounds as if Polonius's occasional silliness is put on for effect, for in general he is wise and dignified. The grave-diggers' duo is amusingly done by Peter Copley and Peter Russell.

Ophelia is a nice steady girl in Claire Hackett's hands and steady still after her brains have gone, singing her ditties to new tunes. James Purefoy as her brother Laertes is a steady lad too, hardly in need of his father's sensible, and sensibly-given, advice, and quickly won over by the King when he challenge[illegible] with a handgun.

There are a fair number of cuts, but in spite of them the play runs for three hours and three-quarters. It is never dull for a moment (how could *Hamlet* be that?) but [illegible] very exciting either.

B.A. Young


Iain Glen: a madder than usual Hamlet

Hagen Quartet

QUEEN ELIZABETH HALL

The Hagens drew attention to themselves nearly a decade ago, first by winning key competition prizes (notably Portsmouth in 1982) at an impressively tender age, and then by following them up with a much-praised Wigmore Hall debut concert. The group – [illegible]en siblings from Austria [illegible] the second violinist Rainer Schmidt from Germany – have [illegible] an international following, [illegible] a collection of recordings, since then; after a long-ish absence they returned to London on Wednesday.

It [illegible] a disconcerting recital. On the evidence presented, something seems to have gone wrong – or at any rate, not wholly right – with the Hagen developmental process. The dewy freshness [illegible] sweetness of the playing, characteristically Austrian, were still recognisable in their Beethoven, Mozart, and Verdi; euphonious blend of tone is a group trademark (though in fast-moving figuration the leader, Lukas Hagen, tends to mar it ever so slightly with patches of "off" intonation). But when the inner energies and passions of the music are consistently slighted, as they were in all three performances, euphony can come to seem suspiciously like blandness.

Beethoven (Op. 18 no. 2, in G) preceded Mozart (the "Dissonance", K465), [illegible] though the printed pr[illegible]e had promised us the [illegible] order. (Why no announcement?) The former is a work of intentionally Haydn-like wit; since the Hagens found no spring in the rhythms, no [illegible] in har[illegible] change, no [illegible] shading in melodic accent and nuance, this robust good humour was no more than faintly suggested. The latter is Mozart at his most sublimely unsettling, full of erotic tensions expressed (as in *Cosi fan tutte*) in the musical language of comedy: adult music, indeed, played here as if by children.

It was bold of the Hagens to offer Verdi's E minor, his single exercise in quartet-writing, after the interval. A still grossly under-appreciated masterpiece, it requires – but also greatly [illegible] – champions. Not much championing here, alas: as in the Mozart, the [illegible] [illegible]ed only their inexperience in [illegible] its operatic references in the terms and manners of chamber music. The [illegible] [illegible], but meant sadly little.

[illegible] Loppert

Rian de Waal

WIGMORE HALL

This young Dutch pianist has the expert fingers, and the easy command of the whole keyboard, to get round Leopold Godowsky's most extravagant pieces with impunity. That is uncommon, not least because it [illegible] such a lot of hard work. Godowsky was a master-pianist (revered especially by performers – the public found him impressive but chilly) who liked to write fantastic elaborations upon other composers' easy pieces, songs, studies and what-have-you. Earl Wild and the late Jorge Bolet have been among his last tenacious disciples, insisting that the formidable pianistic invention is its own [illegible] even when his musical idiom is pure, purpose-[illegible].

A few years ago I was delighted by a de Waal recording of Godowsky's "Symphonic Metamorphoses" on the ever-[illegible] "Artist's [illegible] and Loves". On Wednes[illegible] was much his best performance (he made one prudent cut, as before, but nobody ever attempts [illegible] whole damned thing): he preserved the essential lilt even in the most densely overwritten pas[illegible] – the hardest thing to bring off – and planned his contrasts well.

One had to admire it. Yet his other Godowsky – the grand, unfamiliar Passacaglia on the opening tune of Schubert's "Unfinished" Symphony, and three transcription-fantasies on Schubert songs – really offered less than met the ear; or rather, perhaps, too few of Godowsky's graces [illegible] meet the ear. De Waal is a sensible musician, but for all his outstanding competence he is a [illegible] one, disinclined [illegible] flamboyance or elegant preening (nor, in fact, to the ultra-scrupulous pedalling needed for woozy, deliquescent harmony). Without that, Godowsky's fantastications are just upholstery; to make them gleam, [illegible] no substitute for a shamelessly brilliant narcissist in love with his instrument.

Besides Godowsky, de Waal's cleverly designed programme featured Schubert. Much the same comments were invited as by his Godowsky song-versions. In the Impromptus from D. 935 there were some passages of penetrating charm, and some others which missed altogether the pianistic magic they invite; and the "Wanderer" Fantasy – not a subtle construction, for all its merits, but one plainly intended for hefty virtuoso delivery – sounded tasteful, [illegible] pedestrian.

David Murray

Rod Stewart

WEMBLEY ARENA

In Peckham Rod [illegible] would probably be described as a plonker, a Jack-the-Lad who never quite managed to grow up to become John-the-Man. At 46 his life seems bounded by long legged blondes, playing football with his mates, and wiggling a large bottom preposterously at 12,000 undemanding fans. Yet somehow he came good at Wembley on Monday night.

The no-no's were still there, including a sickly green suit, a tendency to harangue the crowd with soccer chants, a misty eyed wimpishness for Scotland as if he were exiled in LA against his will, and pointless streaks across the stage to show he still has puff. It really is hard to take this seriously from a man whose hair style is older than his [illegible].

But at a time when [illegible] super stars only tour to plug their latest CD Rod Stewart [illegible] in a benign, [illegible] mood, looking back on over 20 years of pop achievement, and out to please. His song book is quite outstanding. He picks [illegible] work of [illegible] well – "The first cut is the deepest" and "Some [illegible] have all the luck" were [illegible] joyful airings, and he writes well – the self parodying "Do ya think I'm sexy" and "Maggie May" will stay classics – and his voice is [illegible] authentic distillation of [illegible] and drugs and rock and roll.

Everything is forgiven as he sits in a row with the gang [illegible] the same blues that he belted out under the bridges of Paris as a young hippie in 1963. And he can laugh at himself writing a Western song like "Mandolin wind" when just a Muswell Hill Cowboy in 1969.

The music out-punches the image every time and watching Rod Stewart perform is to [illegible] an old pro working an [illegible]ence. You might distrust his sucker sentimentality, songs like his latest hit "Rhythm of My Heart" are as genuine an evocation of Scotland as haggis and sporrans, but when [illegible] into the belters he is incomparable. Even tossing the mike stand into the heavens is a forgivable slice of swank.

He has done it all, heard it all, and will see off his critics. He hardly turned a hair when the waitress, interrupting his act with another drink, sat on his lap, stroked his hair, and turned into a be-wigged and bewitching Elton John. With no competition [illegible] the younger crowd [illegible] old troupers [illegible] themselves, secure in the conviction that for a Wembley audience nothing beats nostalgia.

Antony Thorncroft

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

The Frankfurt Opera reopens tomorrow, more than three years after the theatre was gutted by fire. The fire – two weeks after Gary Bertini opened his first season as director – was the worst disaster to befall an opera company since the war. More problems followed: Bertini was never able to shrug off criticism of his artistic policies and long absences, and his resignation last December has cast a cloud over the company's return to its home. The opening production is *Die Zauberflote*, staged by the Vienna-based producer Wolfgang Weber and conducted by Marcello Viotti.

Next Thursday, the annual festival in the rococo theatre at Schwetzingen, near Mannheim, opens with the world premiere of Manfred Trojahn's opera Enrico, based on Pirandello's play Henry IV. The production, staged by Peter Mussbach and conducted by Dennis Russell Davies, will receive three performances at Schwetzingen, before being shown at the July opera festival in Munich. The Schwetzingen Festival continues until June 28 and includes a production of Entführung opening on May 1.

Following its return to London from Washington, the Royal Ballet opens a Spring season at Covent Garden on Wednesday. Balanchine's Agon returns to the repertoire, together with Frederick Ashton's A Month in the Country and Kenneth MacMillan's Requiem, set to Faure. Sylvie Guillem is due [illegible] in [illegible] Ashton work on April 18 and 22. The season, which runs until the beginning of June, features the world premiere of David Bintley's full-evening Cyrano on May 2.

London Contemporary Dance Theatre's eight-day spring season opens at The Place tonight. Martha Graham's Lamentation from 1930 and new works by Kim Brandstrup, Liat Dror and Nir Ben Gal are featured in the programmes, [illegible] Richard Alston's Something To Do (1969), Jane Dudley's Harmonica Breakdown (1938) and Robert Cohan's The [illegible] (1977). [illegible] this month, the company goes on tour to Oxford, Northampton, Canterbury, Glasgow and Newcastle-upon-Tyne.

Byzantium, Michael Tippett's major new work, will be premiered in Chicago on Wednesday by Jessye Norman and the Chicago Symphony Orchestra conducted by Georg Solti. The concert will be repeated the following day in Chicago and on April 15 and 18 at Carnegie Hall in New York. Solti will also conduct concert performances of Otello in Chicago on Sunday and next Friday, and in New York on April 16 and 19.

EXHIBITIONS GUIDE

AMSTERDAM
Rijksmuseum A Century Apart: a survey of [illegible] century paintings from [illegible] own collection, with examples [illegible] Hague School, [illegible] and Corot. Ends June 30. [illegible] Painting: [illegible] paintings [illegible] painters from [illegible] century. [illegible] June [illegible] Dutch Drawings from [illegible] 115 drawings mainly from the early 17th century, including [illegible]. Ends April [illegible]. Closed Mon
Van Gogh Museum [illegible] Tracing [illegible] pioneered by the generation [illegible] Hague [illegible] May 26. Daily [illegible] Paintings and drawings [illegible] American [illegible] Agnes Martin (b.1912). [illegible] New York [illegible] expressionists and known [illegible] work. Ends May 12. Daily
BASLE
Museum für Gegenwartskunst Rosemarie Trockel (b.1952). [illegible] drawings illustrating [illegible] artist's gift for [illegible] and gentle provocation. Ends June 17. [illegible]
BERLIN
Museum für Moderne [illegible] From Expressionism to [illegible] Art in Germany [illegible] First showing in Europe [illegible] Marvin [illegible] Fishman Collection, tracing the development [illegible] Expressionism and the [illegible] against it in the [illegible]. Ends April [illegible]. Closed Mon
National Gallery [illegible] (b.1945) drawn from [illegible] worldwide, including expressionist paintings and monumental [illegible] sculptures, revealing [illegible] preoccupation with [illegible]. Ends May 20. Closed Mon
DUSSELDORF
[illegible] Albrecht Dürer: 50 paintings and drawings by the [illegible] master from the period 1493 to 1526, with examples of his work in [illegible] and [illegible] together with works by [illegible] contemporaries. Ends May [illegible]. Daily
FRANKFURT
Jahrhunderthalle [illegible] Arp and Sophie Taeuber: [illegible] and surrealist paintings, drawings and wood sculptures, representing the [illegible] of the Swiss couple's work from the 1930s and 1940s. Ends April 21. Daily
Schirn Kunsthalle From Lucas [illegible] to Caspar David Friedrich: [illegible] paintings by German artists from the 15th to the 19th century, on loan from the Leningrad Ermitage. Ends June 9. [illegible] Walter Schmogner: [illegible] Spaces, a [illegible] of recent paintings and drawings by the [illegible] artist (b.1943) [illegible] for his [illegible]. Ends May 5. Daily
Städtische Galerie im Städel Peter [illegible]: Drawings for [illegible] Faust, including [illegible] original 12 drawings from 1815-16, together with [illegible] by Cornelius [illegible] by other artists. Ends May 20. Daily
LEIPZIG
Museum der bildenden Künste The Visionaries: paintings by [illegible] including [illegible] and [illegible] Hausner, which explore the unconscious, the scurrilous and the humorous, and represent a school [illegible] until recently was banned in [illegible] Germany. Ends May 5. Closed Mon
LONDON
Hayward Gallery The Twilight of the [illegible] Art at the Turn of the Century, with 500 [illegible] galleries. Ends May 19. Daily
Royal Academy The Buhrle [illegible] Impressionist and Old Master paintings. Ends April 14. Daily
Tate Gallery [illegible] Ernst: centenary retrospective of the German-born [illegible]. Ends April 21. Daily
LUGANO
Villa Favorita Early Italian Art: 120 examples of Italian 14th and early 15th century painting from [illegible] in Switzerland and Liechtenstein, focusing on [illegible] and early [illegible] art from Florence, Siena, Bologna and Rimini. Ends June 30. Closed Mon
MADRID
Museo Nacional [illegible] Reina Sofia [illegible] Lupertz (b.1941): major [illegible] of work by a leading member of Germany's [illegible] Wilder group. Ends May 6. [illegible] from the Guggenheim Collection: 125 paintings and sculptures representing [illegible] main movements in [illegible] century art. Ends May 13. Closed Tues
MARTIGNY
Fondation Pierre Gianadda Chagall in Russia: 40 oils and 150 drawings and watercolours from [illegible] museums and private collections. The majority, including [illegible] panels [illegible] for Moscow's Jewish Theatre, [illegible] until recently hidden from public eye. Ends June 9. Daily
MUNICH
Kunsthalle der Hypo-Kulturstiftung [illegible] Chagall: major retrospective including 111 paintings and four wall tapestries from American and European collections, with examples from all periods of the artist's life. Ends June 30. Daily
Villa Stuck Sculpture and Space: [illegible] sculpture and [illegible] examples of [illegible] art by Max Bill (b.1908) and eight other [illegible] from Germany, Switzerland and Scandinavia. Ends April 28. Closed Mon
NEW YORK
Brooklyn Museum Alfred [illegible] 74 [illegible] by the 19th century American landscape painter. Ends May 5. [illegible] Monet and his Contemporaries. Ends [illegible] 3. Closed Tues
Metropolitan Museum of Art The Fauve Landscape: Matisse, Derain, Braque and Their Circle, with 125 [illegible] showing the vibrant quality of landscape painting in France in the first decade of this century. Ends May 5. Closed Mon
Museum of Modern Art Liubov Popova: 55 paintings and 60 [illegible] on paper by the early 20th century Russian avant-garde artist. Ends April 23. [illegible] Art of the Forties. Ends April 30. Closed Wed
PARIS
Musée Rodin Camille Claudel: [illegible] sculptures, among them [illegible] with figures swirling in art nouveau movement, are included along [illegible] paintings, engravings and drawings – representing virtually the complete oeuvre of Rodin's disciple and tragic lover. Ends June 20. Closed Mon
Louvre, Pavillon de Flore [illegible] van Cleve: an exhibition showing the Italian influences on the Flemish painter, who became a master in Antwerp in 1511 and died [illegible] around 1515. Ends May 27. Closed Tues
Louvre (entry through [illegible] Pyramid) Treasures of Saint-Denis: the 60 remaining ornaments, ivories, precious manuscripts and coronation regalia from the collection of the Abbey of Saint-Denis, which was dispersed by the French Revolution. Ends June 17. Closed Tues
VENICE
Palazzo Grassi The Celts: a major exhibition with more than [illegible] works from museums around the world, providing archaeological and [illegible] documentation of the evolution of the Celtic people. Ends December 8. Daily
VIENNA
Albertina Jean-Auguste-Dominique Ingres (1780-1867), 80 drawings and oils from the Ingres Museum in Montauban. Ends April 28. Daily
WASHINGTON
National Gallery Art for the Nation: [illegible] donated for the gallery's 50th anniversary, including Cezanne's Boy in a Red Waistcoat and paintings by Jan Brueghel the Elder, Frans Snyders, Bellini and Toulouse-Lautrec. Ends June 16. Daily
ZURICH
Kunsthaus From Leibl to Pechstein: drawings by 10 German [illegible] around the turn of the century. Ends April 21. Daily

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Keeping to the Basle ratios

WHEN RECESSION bites, people naturally cast about for culprits. One that is frequently mentioned is the bank capital regime which was devised two years ago by the Basle-based Bank for International Settlements.

This regime was intended to strengthen the world banking system by obliging leading banks to carry more capital for a given amount of lending. Its critics, however, have blamed it for constricting the banks' ability to lend, and thereby heightening the danger of a credit crunch.

This claim has a beguiling logic to it, particularly in countries where the air is darkened by recession, like the US and the UK. Loosen the Basle regime, it is said, and the renewed flow of credit will provide the [illegible] to revive economic activity.

But this claim needs to be [illegible] with some caution. There is an equal danger that what was originally intended to be a prudential measure might be corrupted into a particularly ill-suited tool of economic management.

It is not clear, to begin with, that a [illegible] crunch exists in the [illegible] that creditworthy companies are unable to borrow. Certainly, little evidence of such a crunch exists in Europe or the Far East. The picture is more patchy in the US, where the difficulties of particular banks or regions have hit the local availability of credit, notably in New England. In addition, one particular industry, property, finds it exceptionally difficult to borrow. But the evidence would need to be very much more convincing than at present before there was a case for even reconsidering the role of the Basle regime.

Credible tools

If the Basle capital ratios are to have any credibility as a discipline for the international banking system, they must be above manipulation by those [illegible] merely short term economic goals. After the worrying record of banking failures and losses in the 1980s, the [illegible] of those in authority should be directed towards strengthening banks, particularly when recession is adding further stresses of its own. As the chairman of the Basle Committee said, you do not relax automobile standards in stormy weather.

One might even argue that a relaxation of the regime would be futile anyway because the financial markets would still measure individual banks' [illegible] against the present [illegible] yardsticks, and would penalise those banks which were found wanting.

Improvements possible

At best, supervisors at national level might be able to use some leeway to delay full implementation of the ratios (which are being phased in by 1992). As the US Federal Reserve has shown, there are other ways of taking the pressure off banks by, for example, reducing reserve requirements.

But if no clear case for all-round relaxation exists, there is certainly scope for improving [illegible] of the regime. In particular, as presently designed it contains an incentive for banks to lend to riskier customers. This is because it obliges banks to apply the same amount of capital to a Triple A rated blue-chip company as to a back-street [illegible]. The temptation is, therefore, for banks to seek out the higher yield available on loans to the latter class of borrower.

This bias is ironical, if not absurd, for a regime that is supposed to [illegible] greater soundness in the banking system. A further point: when the governor of the Bank of England spoke of the need for controls over mortgage lending earlier this week, he omitted to mention that the Basle regime also contains an in-built bias in favour of mortgages: loans secured on residential property require only half as much capital as commercial loans.

The members of the [illegible] Committee – who have been lobbying hard against calls for a relaxation of the regime – might employ their energies more profitably by addressing these anomalies. The Basle regime is bringing greater financial discipline to banking, and will ensure that international banks compete on more equal terms. But it still has its failings, even if these are different from those most people suppose.

Going abroad without tears

HOW SHOULD the government respond to the warning from the [illegible] of British [illegible] Agents (Abta) that it can no longer continue to bail out failed travel firms indefinitely? With yet another failure in the travel business yesterday, the Department of Trade [illegible] Industry [illegible] hardly [illegible] this salvo from a trade association whose finances have already been badly hit by the recent collapse of Exchange Travel and a clutch of school tour operators. The question is whether to accept Abta's recommendation that the government should impose a levy in order to build up a fund to reimburse holidaymakers.

On the face of it Abta's solution [illegible] ill-designed to appeal to the government. The obvious precedent is the Air Travel Trust Fund set up after the collapse of Clarksons in the mid-1970s. But that was the work of a Labour administration. Since then the political climate has changed. Many will question [illegible] the consumer [illegible] this [illegible] of paternalistic protection from the government.

Consumer protection

The collapse of [illegible] firms, unlike the failure of large banks, does not pose a systemic shock to the whole economy. If there is an argument for increased consumer protection, it rests on the fiduciary nature of the travel companies' operations. In the case of Exchange Travel, for example, holidaymakers' down payments helped finance property deals that bore no relation to the purposes for which the deposits were advanced. Since the great majority of travel customers are not equipped to make an informed judgment about the finances of travel companies, discipline has to be exercised over travel firms from elsewhere. The debate turns on whether the most suitable candidates are the government, trade associations or outside insurers.

The record of the present system, in which Abta plays a key role, should not be condemned out of hand. For more than a [illegible] and a half the consumer has enjoyed substantial protection. In the case of the biggest recent collapse, that of ILG, there were no serious problems for holidaymakers and no call on Abta funds [illegible] adequate bonding arrangements were in place. Where bonding has been inadequate, as with Exchange Travel, Abta has paid up.

Finances stretched

The problems [illegible] arisen, against a difficult economic background, partly because there are no comparable insurance bonding arrangements for rail, road and sea travel to those imposed by the Civil Aviation Authority in air travel: the financial calls that Abta is now making on its members relate to non-air holidays. The organisation has provided guarantees, but has been unable adequately to police its near 3,000 membership. And when it comes to meeting the cost of future failures there is a fundamental conflict of interest within the membership. Eight large firms account for some two-thirds of holidays sold, while the rest of the business [illegible] of small firms whose [illegible] badly [illegible] in the [illegible] downturn. Note, too, that the bankruptcies relate to tour operators, not travel agents.

It is hard to believe that the [illegible] could now extract a workable solution from Abta alone – especially one capable of satisfying the requirements of a new European Community travel directive that has to be implemented by the end of [illegible]. This requires travel organisers in member states to satisfy their governments that they can repay consumers if they cease trading. One way or another the consumer will have to pay more for insurance. The [illegible] is for a system which promotes the survival of the smaller firms while ensuring that insurance costs are widely spread and the risks more closely monitored.

An extension of bonding arrangements would be a better means to that end in the long term than an industry levy, combined with inadequate policing from Abta. It is in the organisation's own interest to avoid a crisis of confidence in the industry. Ministers should merely encourage Abta itself to achieve the immediate problem.

The sorry state of the US auto industry should serve as a warning to European manufacturers, says **Kevin Done**

Europe gears up for car wars

Europe's car makers and their legion of components suppliers are tightening their seat belts as the road into the 1990s becomes uncomfortably bumpy.

For half a decade the auto industry has enjoyed successive years of record car sales in western Europe. Now lean years are looming, as the profits of several key car producers plunge, others collapse into loss, and the industry as a whole moves to shed jobs.

Europe's car producers desperately needed the strong [illegible] years of the second half of the 1980s to repair their battered finances, to allow some to claw their way back from technical bankruptcy, and to reduce an awesome debt burden.

Now margins are being squeezed again, however, just as competition threatens to reach a new pitch. Europe could well become the main battleground of the world auto industry in the 1990s.

The European industry faces several new challenges:

- the looming arrival in force of Japanese car makers in the hitherto protected markets of Italy, France, Spain, Portugal and to a lesser extent the UK. The advent of the single European market is set to undermine the present bilateral restrictions on Japanese car imports;
- the build-up of Japanese "transplant" car production in the European Community;
- the impact of the single European market on car pricing as cross-border trade flows increase; on the harmonisation of technical standards; and on the future of the present exclusive franchised dealer system. (The motor industry's present 10-year [illegible] "block exemption", which protects the exclusive franchise system, runs out in 1995);
- the opening up of eastern European markets against a background of mounting political uncertainty;
- the tightening of environmental regulations with tough and costly demands for lowering exhaust emissions and expected regulation later in the decade for improved fuel economy and the recycling of old cars.

New car sales in western Europe fell by only 1.5 per cent last year to 13.25m from the record 13.47m achieved in 1989. Sales trends in different markets have diverged sharply, however, with demand plunging in the UK and Spain and sales in Germany climbing to new heights.

In the auto industry, when profits fall, the drop can be precipitous – even with relatively small declines in sales and [illegible] volumes. Renault, the French [illegible] owned car maker in which Volvo of Sweden has recently taken a 20 per cent stake, suffered an 87 per cent drop in net income last year on a 8.2 per cent fall in turnover.

The French group can, however, hardly look to Volvo, with which it [illegible] formed a far-reaching alliance, for financial salvation. The Swedish car maker is among the European industry's other notable financial casualties after falling into loss last year for the first time for nearly 60 years.

Among the big six volume car makers in Europe Ford also suffered a harsh financial set-back in 1990 with its second worst result in 10 years. The net profits of its European operations fell last year by 79.6 per cent to $263m from $1.29bn in 1989 and a record $1.56bn in 1988.

Ford blames the sharp deterioration in part on the impact of industrial unrest; higher product development costs; and the heavy impact of the rising losses suffered by Jaguar, the UK luxury car maker it took over [illegible] and expensively for £1.38bn at the end of 1989.

Just as importantly, however, Ford's recent European financial performance reflects the uneven impact of diverging new car sales trends across 17 western European markets last year. Profits were particularly hard hit by falling sales volumes in the UK, its biggest single European market, where it is also the market leader.

The UK is currently one of the weakest markets in Europe with sales falling by 12.7 per cent last year and by a further 23 per cent in the first two months of 1991. As demand plunged, marketing costs rose rapidly with fierce competition for each sale prompting a war in discounts, cheap finance deals and other special promotions.

In sharp contrast with the UK – and with Spain – new car sales in Germany have been extremely buoyant, reflecting the economic boost provided by German unification. This has hugely benefited the main players in the market, Volkswagen and General Motors (GM markets its cars under the Opel badge in continental Europe and as Vauxhall in the UK).

New car sales in western Germany in the first two months of this year were 20.1 per cent higher than a year ago, while estimates for the whole of Germany suggest that new car sales were fully 50.5 per cent higher than in West Germany alone a year earlier.

Most other European car markets are in decline. In the first two months of this year sales fell in 14 of 17 western European markets compared with the corresponding period a year ago and were higher in only Germany, Austria and the Netherlands.

While Fiat, Renault, Peugeot and Ford have been forced to resort to idling assembly plants in order to reduce production, Volkswagen and GM have been working at full capacity at many of their assembly plants across Europe to meet the unprecedented level of demand in Germany.

In contrast to Ford with its UK woes, General Motors' exposure to the huge sales growth in Germany helped it to achieve record net profits in Europe last year at $1.915bn – even after swallowing its share of the vast losses at Saab. In the process it ousted its arch US rival from fourth place in the European sales league.

With the unified German market currently accounting for nearly three out of every 10 new cars sold in western Europe, Volkswagen is consolidating its position as the leading European car maker. In sharp contrast, the challenge from the Fiat group of Italy (which includes Alfa Romeo and Lancia), the main pretender in recent years to VW's European crown, has faded.

Europe could well become the main battleground for the world vehicle industry in the 1990s

Fiat is vulnerable. Of all the European volume car makers it is by far the most dependent on its domestic market – Italy accounts for more than 60 per cent of its European sales – *and it has no European car assembly plants outside Italy.*

Fiat is already under attack in Italy from the existing European makers, with Ford in particular making big *inroads.* In the first two months of this year its share of the Italian market tumbled to 47.4 per cent from 54.6 per cent a year ago and 58.9 per cent two years ago.

Not surprisingly Fiat was the first European volume car maker to [illegible] to laying off tens of thousands of workers last autumn and several of its Italian car plants have only been working three weeks in four for the last seven months.

Just as ominously for Fiat it has hardly begun to be exposed yet to Japanese competition in [illegible] market, where Japanese car imports have been limited hitherto to tiny volumes.

The vexed issue of Japanese car sales is probably the most sensitive unresolved question still facing the EC in the run-up to the creation of the single market from 1993.

At present the pattern of competition across European car markets is greatly distorted by the limits on Japanese car sales set in four of the five main volume car markets in Europe – France, Italy, Spain and the UK – as well as in Portugal.

The European Commission's task in hammering out an agreed position among member Governments on Japanese car sales has been bedevilled until recently by disunity [illegible] European car makers themselves.

The industry has now succeeded, however, in isolating Mr Jacques Calvet, *chief executive of Peugeot of* France and the most hard-line opponent of the Japanese car industry in Europe in order finally to put forward a united front in Brussels.

European car makers – minus Peugeot – are now calling for continuing controls on Japanese car sales in the European Community until the end of 1999 with a limit on Japanese market share to that date of 15 per cent.

While the 1980s was the decade in which the Japanese car makers concentrated on building their production presence in North America, in the 1990s they are switching their attention *to* Europe.

Nissan has been producing cars in the UK since 1986. Volumes were modest at first, but this year output should reach 120,000 [illegible] and [illegible] grow to 220,000 in [illegible] year production begins at Toyota and Honda's first European car assembly plants – both located in the UK, which Mr Calvet has variously called "a Japanese aircraft carrier off the coast of Europe" and "Japan's fifth largest island".

[illegible] per cent of Rover, the UK car maker, and Honda cars are already coming off Rover's UK assembly lines at the rate of 40,000 a year. In the wings both Mazda and Mitsubishi Motors are seeking a way to establish their first European car production, while as a harbinger of another line of attack, Honda begins for the first time this month the sale of cars in Europe shipped from one of its US assembly plants.

While the Japanese car makers combined have around 11.6 per cent of the total western European market, what they can achieve in unprotected European markets without a domestic producer is already evident (see chart).

While Japanese car makers captured a 5.1 per cent share of the "restricted" European markets last year, they already controlled more than 30 per cent of the "open markets".

With a disturbing competitive disadvantage – in manufacturing productivity, the effectiveness of new model development and the speed and variety of new model offerings – it is hardly surprising that European car makers are pleading with Brussels for a transition period to the end of the decade to try to get their house in order.

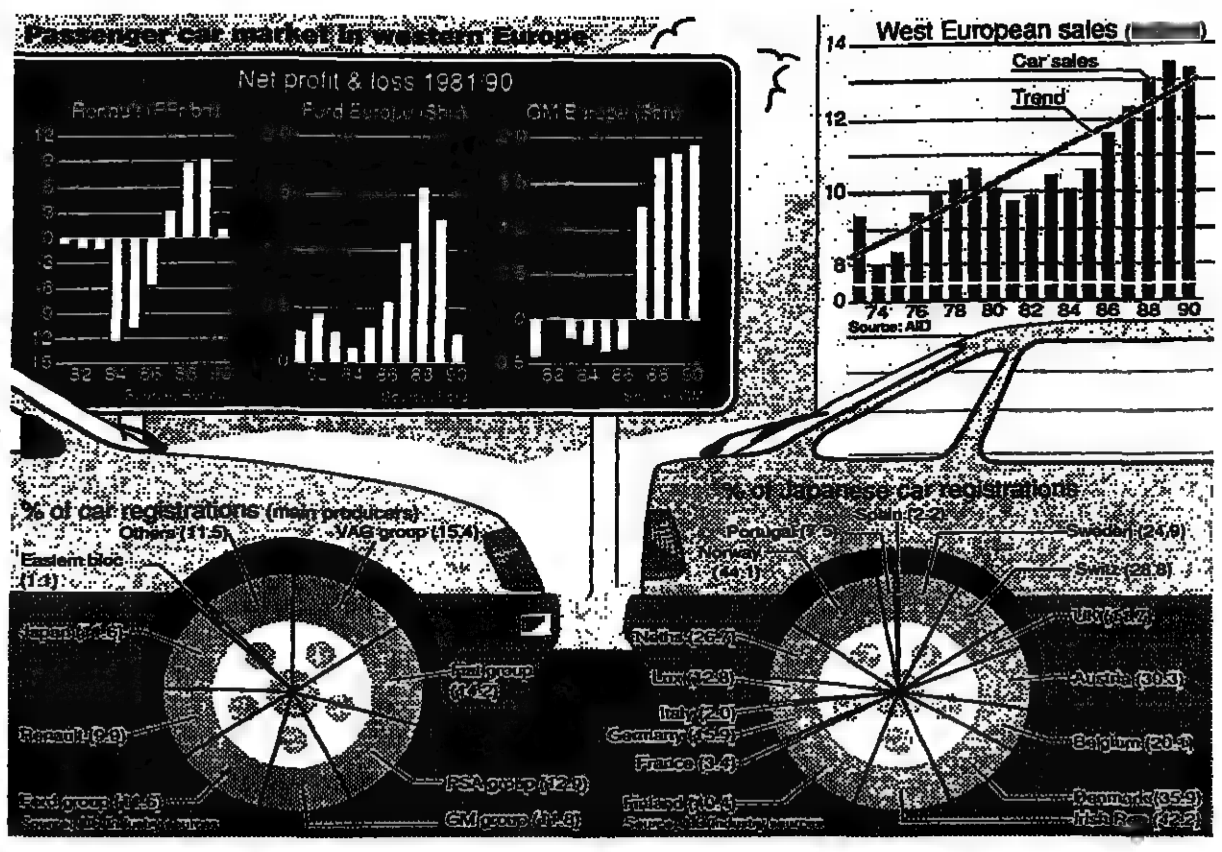
Mr Lindsey Halstead, [illegible] of Ford of Europe, said last month that "unless the [illegible] is [illegible] open gently," the Japanese auto industry would be first beneficiary of a single European market. The absence of a prolonged transition period "could have rather severe implications for our European technology base and supply industry."

Without such a [illegible] Mr Robert Eaton, president of GM Europe, forecast recently that Japanese car makers could increase their share of the western European market to 15 per cent by the mid-1990s and 20 per cent or more by 2000. Such a growth would be equivalent to Renault's share today.

According to GM, total car assembly capacity in western Europe could increase from 14.7m units in 1990 to 17m units by the mid-1990s based on announced plans. About a third of the increase would stem from the Japanese. Industry wide capacity utilisation could decrease from an average of 92 per cent in 1990 to 84 per cent in the mid-1990s.

"If one assumes that the Japanese fill their factories as they increase their sales across Europe, the bulk of the overcapacity problem will be faced by European manufacturers – putting pressure on prices and profit margins, potentially leading to a restructuring of our industry," says Mr Eaton.

The current state of the US industry, where Japanese car makers now hold more than 30 per cent of the market and where all the three US car *makers – GM, Ford and Chrysler* – are currently operating at a loss, offers a portent of what may happen in Europe if the local producers fail to close the competitive gap.



OBSERVER

Official improvements

■ Britain's "Department for Enterprise," with Peter Lilley as minister, has just produced a couple of typically impressive new initiatives.

The first is reported by the department's staff newspaper. It says a four-person energy efficiency unit has been set up to ensure that the department, whose energy bill is £4.5m, "achieves at least a 15 per cent reduction in energy *costs over the next five years.*"

The newspaper further indicates that, in pursuit of said aim, the department intends to lay out £500,000 or [illegible] a year.

[illegible] that [illegible] plans [illegible] spend £2m-plus [illegible] now and 1996 to save just £675,000?

Meanwhile, I hear the opening hours of [illegible] department's Companies House search rooms in Cardiff, Edinburgh and London [illegible] been extended to 9 am [illegible] 5 pm, [illegible] of 9.30am to 4.30pm.

Researchers [illegible] going [illegible] those extra half hours at each end of the day. The microfiched company files will now take up to two hours to arrive instead of one. And last [illegible] be in by 3 pm, instead of 3.15pm.

Might [illegible] have a word, minister?

Dog sense

■ At last a bit of sense has emerged to counter the [illegible] over spreading burglaries which have panicked companies and householders by the million into installing high-tech alarms.

The sense-provider is the Federal Criminal Office of [illegible] property-owners are following the fearful fashion to the tune of spending £2bn-plus a year on electronic security systems and such. The main result, as in other countries, [illegible] that the police are plagued to near-stupefaction by false alarms. Of every 100 alerts, only two are triggered by break-ins.

That compares with almost 50 set off accidentally by the property-owners themselves, and 15 by domestic animals such as cats and dogs.

Appalled by the costly confusion, the office did a bit of well targeted market research. Having consulted *300 convicted burglars on the* matter, it now advises potential victims to stop being blinded by science and adopt a lower-tech deterrent: barking dogs.

Because they're active contributors to the trouble, however, it does not recommend installing real ones. "No actual dog is necessary," the security experts say, "just a showy kennel and taped barking of a fierce breed."

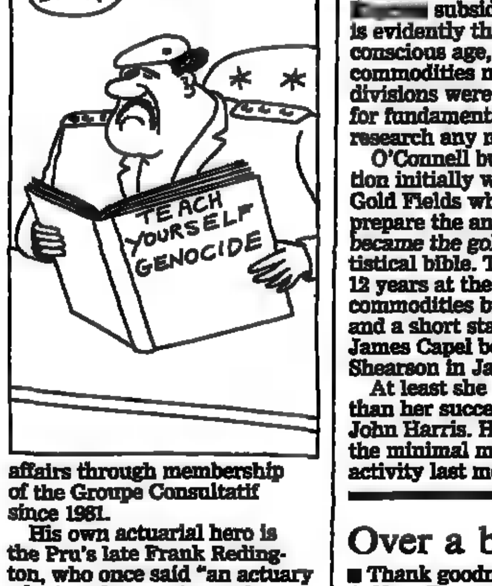
Exodus

■ The steady trickle of managers from the upper echelons of the Prudential, following last year's shake-up, continues apace. Peter Clark, a 44-year-old deputy actuary, is the latest man from the Pru to look for pastures new.

Having been passed over for the chief actuary's job in favour of a man from the investment side – Peter Nowell – Clark has been snapped up by Sun Life, where he will also get a seat on the board in addition to being the appointed actuary. Peter Grant, Sun Life's chairman, sees the move as quite a coup.

"The Pru has had a few hiccups, but none of them were actuarial", says Grant, who regards the insurance giant as a good training stable. In addition to being an important figure in the Institute of Actuaries, Clark has played an important behind-the-scenes role in European insurance affairs through membership of the Groupe Consultatif since 1981.

His own actuarial hero is the Pru's late Frank Redington, who once said "an actuary who is only an actuary, is not an actuary." Think about it.



Freedom

■ The late Field Marshal Smuts and B.J. Vorster are about to get a new companion. As excitement mounts in South Africa over Margaret Thatcher's visit next month, news comes of a signal honour that awaits her: the Johannesburg city council will bestow the freedom of the city on her, thought to be the first time such a distinction has been awarded a foreigner.

The burghers of Soweto, I gather, are not expected to follow suit.

Lady vanishes

■ Metals analysts seem to be a vanishing breed. The latest to [illegible] shaken [illegible] of the City [illegible] Rhona O'Connell, one of the best-known and highly-rated observers of the precious metals markets.

[illegible] and colleague Neil Buxton, who specialises in base metals, have left the London team of Shearson Lehman Brothers, the American [illegible] subsidiary. The reason is evidently that in this cost-conscious age, neither the commodities nor the equities divisions were willing to pay for fundamental metals research any more.

O'Connell built her reputation initially with Consolidated Gold Fields where she helped prepare the annual book which *became the gold market's sta*tistical bible. There followed 12 years at the Rudolf Wolff commodities broking house and a short stay at brokers James Capel before she joined Shearson in January 1987.

At least she lasted longer than her successor at Wolff, John Harris. He fell victim to the minimal metal-market activity last month.

Over a bit

■ Thank goodness BICC's Balfour Beatty is not digging the Channel Tunnel on its own. One hates to think where it might have surfaced judging by the hazy geography in its latest annual report. Included in a catalogue of last year's achievements is the Five Acre Square development in Houndsditch, "West London".

As any street-wise Cockney knows, Houndsditch is in *east* London.

"Just an unfortunate and embarrassing error on our part," admits BICC.

No wonder there are cost over-runs if mistakes like that get onto the drawing board.

Poverty trap

■ A man walks into a Swiss bank and quietly asks the teller, "Can I open an account with a million dollars?"

"Certainly", the teller replies. "But [illegible] to whisper. Poverty isn't a crime, you know."

Little help for the oppressed

Onslaughts against the Kurds show the limits of international authority, says **Roger Matthews**

In Iraq yesterday, the regime of President Saddam Hussein consolidated its brutal grip on the Kurdish people. In Burma, the Karen minority, scarcely less deserving than the Kurds of international support, sought to stem an offensive by troops commanded by a government scarcely less appalling than that of Saddam Hussein. In Cambodia, forces of the notorious Khmer Rouge, [illegible] by China, fought government troops equipped by the unreformed communist government of Vietnam. And in Peking, Mr Douglas Hurd, the British foreign secretary, sat down for talks on the handover of Hong Kong with Chinese leaders who were responsible for the massacre less than two years ago of pro-democracy demonstrators in Tiananmen Square.

These four examples, all of which continue to outrage different sections of international opinion, illustrate well the practical limitations imposed by governments on the rights of others to interfere in their internal affairs. For much of the time the United Nations has little to say about these and dozens of other similar examples human rights abuses and, accordingly, even less to do.

For nearly two decades Mr Saddam Hussein, first as vice-president and then as leader of Iraq, had done very much as he wished with the people of that country without a hint of international or UN intervention. Twice in that time he terrorised those Kurds fighting for autonomy, latterly with chemical weapons. Far from there being talk of sanctions, western companies continued to seek business in Baghdad, just as they are doing today in Rangoon and Peking.

But Iraq's invasion of Kuwait changed all that and in the process has left people and governments impressed by the display of US-led international military power and frustrated by its obvious limitations. During the past week, as the Kurdish people have fled before Saddam's onslaught, the limitations have seemed temporarily to obscure the earlier achievements.

The triumph of removing Iraq from Kuwait at such limited cost to allied lives has been soured by the sight of Saddam Hussein again securing his grip on the country. Those who wanted sanctions to be given longer and publicly opposed a war to liberate Kuwait now find themselves uncomfortably close to advocating direct military intervention in Iraq in order to save the Kurds. They face, too, the unpalatable fact that the one, perhaps only, sure way of eliminating Saddam Hussein's [illegible] is [illegible] Baghdad. The argument [illegible] yet to be seriously promoted.

President [illegible] Bush obviously believes, whatever his personal preferences, that American public opinion would not accept further military loss of life for such a purpose. He remembers the 240 US marines killed in Beirut in 1983 following their deployment after the massacre of many hundred Palestinians at the refugee [illegible] of [illegible] and Chatila. Other western allies appear to be equally opposed to being drawn in [illegible] an Iraqi quagmire of Lebanese complexity.

The silence from [illegible] Arab world over the fate of the Kurds has been deafening. Unelected rulers are rarely at [illegible] with concepts involving outside intervention on behalf of oppressed minorities. The sensitivity becomes more acute throughout the [illegible] when the outside [illegible] intervention can only come from Washington, which [illegible] blamed more than any other power for the plight of the Palestinians fighting to emerge from Israeli occupation and denied self-determination. In the region only Iran, conveniently forgetting about glasshouses [illegible] has spoken out on the issue and then more to castigate Mr Saddam than to support [illegible] Kurds.

But, however deep the western frustration at being unable to aid the Kurds effectively, it remains one segment of a wider picture in which the anti-Saddam alliance ultimately holds the key to the future of the regime and thus the 17m-18m Iraqi people.

The continuing strength of that alliance was again demonstrated on Wednesday with the adoption of UN Security Council Resolution 687, the longest and most detailed in the history of the organisation. In setting the terms for a permanent ceasefire in the Gulf, it imposed such tough conditions on Iraq that the country will be unable to begin rebuilding until the international community is willing to relax the economic vice in which Baghdad is held. In the words of Sir David Hannay, the British UN representative, "it will prove impossible for Iraq to rejoin the community of civilised nations while Saddam Hussein remains in power".

What happens in the interim is sure to be unpalatable from a western humanitarian perspective. It has to be remembered that Iraq's infrastructure was heavily bombed for several weeks by allied aircraft. The big cities and much of the countryside are still substantially without electricity and often without water and main drainage. Food supplies have been disrupted and there are continuing fuel shortages. The recent fighting in the north-east and in the southern towns has caused more damage and further reduced local government effectiveness.

Even with large amounts of humanitarian aid, it would seem from outside the country that such widespread deprivation and personal suffering will eventually bring the downfall of the regime. Yet some of the factors which argue against foreign military intervention in Iraq are also the ones which bolster Mr Saddam's grip on power.

Throughout the eight years of war with Iran what appears most to have stiffened Iraqi resolve in the face of repeated [illegible] was not [illegible] for Mr Saddam but fear of the alternative. The same sentiment holds sway today. The people of Baghdad have never wanted a regime dominated by Shia fundamentalists from the south or heavily diluted by Kurdish autonomy or separatism in the north east. There is a perverse logic which argues that Saddam Hussein will only be brought down from within his own citadel, and then only when the conditions within the country allow for a transfer of power which does not simultaneously threaten his successors' own chance of establishing their authority.

One of the most intractable problems in the post-colonial Middle East is that of burying the notion that the authors of the region's problems retain a long-term responsibility for their resolution. Mr Saddam was a Middle East and world problem: he is now reduced solely to an Iraqi dimension and will be kept there by the will of the international community. Eventually Iraqis will rid themselves of him. Many hundreds of millions of people around the world living under not dissimilar regimes must hope that the UN will do even half as much for them.

Kurds near the border with Turkey flee Saddam's forces

Joe Rogaly

The feeling better factor

Forget about today's result from Neath. It tells us about a small by-election in Wales. The main show, the next general election, will not be affected.

The Conservatives deserve to lose on the big day but they remain odds-on favourites to win more seats than Labour. An overall majority is less certain. So is justice. The Tories should be thrown out [illegible] they have been there too long and spent too much of the time mismanaging the economy and bungling local taxation. Their chance of hanging on to power depends upon, first, the public's curious insistence on regarding the economy as safe in Tory hands and, second, the likelihood that the average voter is apolitical enough to count the money in his pocket on polling day and forget about the idiocies that have so recently been perpetrated by those who seek re-election.

If the election is held in June or October most people will be enjoying an increase in real disposable income brought about by high wage settlements in the first half of 1991, set against a rapidly falling rate of inflation in the second half. Unemployment has to be netted out from this equation. Mr Henry McLeish, a Labour shadow minister of employment, has listed the Conservative seats in which dole queues are rising particularly rapidly; clearly the south-east is bearing the brunt. Yet while the percentage increases are high, the actual numbers in each constituency are still relatively low. Unemployment may become a decisive factor, but it is not yet there. Provided that the headline rate is not increasing too sharply the likelihood is that the anticipation of a return to prosperity by the majority of the population will offset the fears of those who see an increased danger of losing their jobs.

We had an inkling of this at the weekend, when The Sunday Times published the [illegible] of a poll by Mori. It [illegible] that the "feel good factor" has begun to swing sharply in the Conservatives' favour. In February this was rated [illegible] -37 per cent, a figure reached by subtracting the proportion of respondents [illegible] expect the state of the economy to improve over the next year from those who expect it [illegible] deteriorate. The figure for March was down to -1 per cent.

It is reasonable to anticipate a further improvement in this number, as interest and mortgage rates fall and local taxation is cut – although it is impossible to foretell the effect of the concomitant 2½-percentage point increase in VAT. In [illegible] the economic optimism indicator moved from -21 per cent in January to +14 per cent in May; the Tories subsequently romped home. In 1987 the same number moved from -2 per cent in January to, again, +14 per cent in late April. A third Conservative victory followed.

This time there is further to go, starting with -80 per cent in January, but half the distance seems to have been travelled already. Some economic purists may argue that the question is not sufficiently specific to the respondent's personal expectations. What they think about the economy may not apply to themselves and therefore their voting intentions. A different question is asked by NOP for Newsnight and The Independent. It is, "[illegible] you think the financial position [illegible] own household will improve/stay the same/worsen?" The positive answers are subtracted from the negatives. The scores recorded so far this year are -14 per cent in January and February and -6 per cent in March.

There is thus early evidence to support the proposition that people believe that the recession has begun to bottom out. Ordinary folk's feelings are at least as likely to be proved right as any Treasury forecast. There are plenty of straws in the wind: the latest CBI forecasts, the expectation of a fall in US interest rates; the strengthening of the dollar; the consequent euphoria in the [illegible]. These are indeed straws, but they [illegible] into something substantial.

If people feel optimistic after the Easter break they might even begin to spend money again. That would speed the recovery. It would also demonstrate, yet again, that you can put 100 economists to work for as long as they like on the computer programmes of their choice and they will never make a reliable assumption about the propensity to save.

Optimism, soundly-based or not, can be infectious. The Conservative party chairman, Mr Christopher Patten, sought this week to head off speculation that everything may yet come good in time for a June poll, thus arousing expectations for October. Some of his colleagues are beginning to look more relaxed, although for different reasons. Take Mr Michael Heseltine. The environment secretary has the calm air of a man who has accepted that a dramatic stage of his life is over, and that he must now subside into the role of an ordinary minister in a department with which he is hauntingly familiar. Never again will he taste the delights of challenging Mrs Margaret Thatcher; his days as a putative prime minister are gone. There may be vestiges of ambition hidden deep inside him, but from the way he is playing his new job, butter wouldn't melt in his mouth.

Yet he ought to be in a state of some agitation as we await his consultative papers – one on the new local tax [illegible] will replace the community charge, another on the structure of local government, and a third on the internal management of local councils. These are not yet through the cabinet, which is on holiday, and so I assume that they are not ready [illegible] presentation at the launch of the local government election campaign next Wednesday. They may not be available until [illegible] week after that. Even then the number of issues on which the government will express a preference is anybody's [illegible]. Mr Neil Kinnock, the Labour leader, has enjoyed pointing [illegible] that the Tories may have to go to the local electorate on May [illegible] "on a manifesto entitled 'wait and see' and under the slogan, 'don't ask us, we're only the government'".

Mr Heseltine's response is that the voters will simply look [illegible] their cut-price community charge bills; few of them will debate the niceties of his consultative papers. He defends the agonised process of withdrawing from the poll tax as necessary [illegible] bring [illegible] along; the least divisive fissure line in the [illegible] party is thus being sought. Then the damaging internecine strife can be brought to an end. For what the party wants is two-fold: to win the general election and to be shot of the community charge. That is, in Mr Heseltine's view, bedrock.

All this may be a touch [illegible] guine. The dismantling of [illegible] poll [illegible] is not yet [illegible]. Its potential for damaging the Conservatives is still huge. In spite of a happy turn in the graph of economic optimism it is difficult to see the Tories doing well enough in the May local elections to clinch the argument for a June poll.

Labour was in the low 30s in the opinion polls when the equivalent council elections [illegible] held four years ago; it is steady at about 39-40 now. Under Mr Neil Kinnock it has become wholly respectable: there is no particular reason either [illegible] vote or not to vote [illegible] it. The Liberal [illegible] have been doing better recently but they are not yet strong enough to guarantee a Tory victory by usefully dividing the non-Tory opposition. Even if the recession has begun to bottom out that is no indication that the recovery will be quick; the opposite could be true.

In short, there is no question of the government hanging on to anything like its present majority in June, October, or next year. On today's figures, it could even lose its overall majority, while remaining the largest party. Yet the positive turn towards economic optimism may help it pip Labour at the post, in spite of everything.

LETTERS

Controls perhaps price worth paying

From Mr Peter Bild.

Sir, I wonder if the usual lucidity [illegible] Anthony Harris' prose ("Avoiding the crunch questions about credit", April 2) may have proved so dazzling that he was, for once, less than fair to the governor of the Bank of England.

Was the former commercial banker wistfully arguing the n[illegible] lending controls because the Bank [illegible] a real danger of runaway house prices fed by [illegible] advances to individuals? [illegible] he, perhaps, [illegible] – along with the Bundesbank – that some direct quantitative impediment is a price worth paying if government and/or central banks are to carry out effectively their responsibilities to maintain economic and currency stability?

I doubt Anthony Harris would gainsay the second. I recall the time in mid-1970s when he [illegible] Bank of England [illegible] on commercial [illegible] lending against their then [illegible] detractors who argued that such [illegible] were ineffective in controlling money supply because they merely distorted [illegible] figures. I have been dining out ever since on Mr Harris's rejoinder that "distorting figures was the purpose of a corset".

Peter Bild,
18 Rydal Road, SW16

Time to clarify pensions issue

From Mr [illegible] A. Chan.

Sir, For a government with a strong view on most issues, it is revealing that this government is keeping well clear of the pensions debate ("Sex and the over 60s", March 28). No doubt it realises that any position it takes will be vociferously opposed and that almost any solution will incur financial costs. Additionally, this issue is not, unlike the poll tax, so universally emotive that the government must force through a desperate last-minute measure to show the electorate that it is responding.

As the proportion of our population that is of pensionable age grows over the coming decades, and there are fewer workers to transfer earnings into pensions, it makes sense that the age of retirement should be moved upwards from 60 and not downwards from 65.

It cannot be right that the government should allow this issue to be resolved through lengthy and expensive legal machinations when, as you have stated, it "amounts to a minor social revolution". The government must step in and clear the air.

Cyril A. Chan,
9 Porchester Road, W2

Company cars on one-way street from tax and VAT viewpoints

From Mr A.R. Lis.

Sir, There are one or two further aspects to the point raised by Mr Peter Kirk (Letters, April 2) on introducing cash alternatives to company cars.

Once the tax on the scale benefit for private fuel has been paid, travel to work by company car effectively becomes free. Enticing employees away from this advantageous position thus requires a cash inducement which compensates for the benefit forgone and which then has to be grossed up for the resultant tax deductions.

This is, of course, on top of the major inducement required of compensating for the loss of company vehicle and the loss of no claims bonus while motoring on company insurance.

In many cases the above factors are likely to lead to a cash inducement figure significantly higher than the present benefit levels. This sum is likely to be higher than the true economic value of company car use. Offering this higher sum, as an inducement to switch from company cars to cash, can lead to that sum – where it is higher than the scale benefit – being the basis of assessment to tax of the car, on the grounds of the principle laid down in the Heaton v Bell ruling.

At present, offering company cars to employees appears to be a one-way road both from VAT and income tax viewpoints. The government has to introduce measures to promote flexibility if it wishes to achieve its desired result.

A. R. Lis,
group tax manager,
Sears plc,
40 Duke Street, W1

Record tainted

From Mr Nicholas Mellersh.

Sir, While Christopher Dunkley [illegible] right to praise [illegible] nel 4's [illegible] being of "some courage", ("Joining battle against [illegible] busybodies", April [illegible] [illegible] ignores the fact that [illegible] channel's own record of promoting free speech is not spotless.

In 1986 I was commissioned by Diverse [illegible] to make a personal television essay advocating the abolition of the Independent Broadcasting Authority. Halfway through shooting, this [illegible]gramme was banned. This act [illegible] censorship came not from the IBA, which had co-operated fully in the production [illegible] the programme, [illegible] from Channel 4 itself.

Nicholas Mellersh,
47 Quarrendon Street, SW6

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

Local communication not central body is key to industrial relations

From Mr A. McIntosh.

Sir, An issue confronting many UK-based multinationals is the prospect of a European Works Council.

During the past 10 years, enormous strides have been taken in the UK to improve standards of participation, communication and consultation. More enlightened companies have progressively moved away from the concept of central, bureaucratic systems of control, seeking to enhance the role of their local units by adopting communication and consultation practices which meet local needs.

The continuation of this development will prove to be one of the key ingredients in the ongoing improvement of Britain's European and worldwide competitive position.

The current EC proposal, to establish European Works Councils will, if adopted as appears intended, send British industry, at a stroke, back 10 years and add nothing to its European interests. The creation of a central body is now alien to the basic business and people philosophies of enlightened companies.

However, there is still much to be said in favour of legislation which seeks to raise standards of communication and consultation and improve the working environment of people. British industry should be embracing the concept, and lobbying to ensure implementation is carried out in a way beneficial to both UK and European business.

This legislation should be:

- directed at all individual [illegible] with more than [illegible] employees;
- non-bureaucratic, specifically avoiding the creation [illegible] a central body;
- concerned with establishing minimum standards of communication and consultation with which all covered units must comply;
- structured in a way which enables penalties to be applied against the holding company of units which do not comply, and provides for some form of compliance audit.

This arrangement will place ownership of the whole process where it belongs – at local company/unit level.

It will enable local, regional and national cultures, philosophies and practices to be properly considered and accounted for.

It will contribute to the overall well-being of employees and their own place of work. It will enable those companies with good practices to develop them further and ensure that those who do not are brought up to an acceptable standard. A central European Works Council will achieve none of these things.

A great opportunity will be missed if the present proposal is enacted in its existing form.

A. McIntosh,
director of group personnel,
The Morgan Crucible Company,
Chariott House,
6-12 Victoria Street,
Windsor,
Berkshire

FINANCIAL TIMES
Friday April 5 1991

Bonn puts DM400bn cost on eastern restructuring

GERMANY'S Treuhand agency, which supervises state-owned enterprise in the east, will need about DM400bn between now and the year 2000 if it is to give priority to restructuring rather those closing ailing companies, the Bonn Finance Ministry said yesterday, writes David Goodhart in Bonn.

This emerged as Chancellor Helmut Kohl announced plans to visit Erfurt in east Germany on Sunday – his first visit since December's general election.

The chancellor's popularity in the east has plummeted as unemployment in the area has risen and he has been under political pressure for weeks to meet his accusers face to face.

His visit was announced on the day figures were released showing that the unemployment rate in east Germany had risen to about 9.2 per cent in March. There was a fall to 5.8 per cent in the west German rate for the same month.

Despite the sharp drop in support in east Germany for the centre-right coalition, however, most opinion polls put the coalition ahead of the opposition Social Democrats, still struggling after their crushing election defeat.

The DM400bn cost of restructuring east German companies projected by the Finance Ministry in Bonn is only a rough guide and does not take account of income from the sale of land and companies, according to officials.

It came in an internal report, written by Mr Horst Köhler, the state secretary, before the assassination on Monday night of Mr Detlev Rohwedder, the Treuhand chief, and was confirmed by the Bonn ministry.

The Treuhand has so far sold nearly 1,000 of the 8,000 larger companies under its control and 25,000 shops and other service outlets, but privatisation has proved much more difficult than originally envisaged.

As well as paying for, or guaranteeing, new investment, the Treuhand will have to continue carrying east Germany's DM100bn of corporate debt and will now have to make payments to redundant workers.

Unemployment in east Germany rose in March by 21,000 to 808,000, and the number of workers on short-time touched 2m, about one quarter of whom are in effect unemployed.

Meanwhile, the economy in west Germany continues to generate jobs, many of them filled by commuting east Germans. However the February industrial production figures for west Germany show a seasonally-adjusted 2.5 per cent drop on the previous month reflecting largely a 23 per cent drop in the building sector caused by the cold snap.

Salutary lesson for east Europe reformers

By William Dullforce in Geneva

GERMAN experience in integrating eastern Germany offers a salutary lesson for reforming countries in eastern Europe, the United Nations Economic Commission for Europe (ECE) says in its annual survey published today.

The rapid collapse of the centrally-planned economy of the former German Democratic Republic in the face of market forces – despite huge financial support from Bonn – has increased caution about the "big bang" approach to economic restructuring, says the ECE secretariat.

Reconstructing the east German economy will take much longer than envisaged after the collapse of the Berlin Wall, will preoccupy German policy-makers for several years and will be an important influence on economic developments in the rest of Europe.

The secretariat, which has monitored economic developments in the Soviet Union and east Europe for more than 40 years, recognises that the incorporation of the GDR into a united Germany is unique and could not be replicated elsewhere.

It points out that several approaches to converting centrally planned to market economies have emerged in east Europe against a background of deepening recession.

Output of all goods excluding services fell on average by 11 per cent in east Europe and by 4 per cent in the Soviet Union in 1990, according to the ECE survey.

The decline in output ranged from between 3 and 5 per cent in Czechoslovakia and Hungary to more than 10 per cent in Bulgaria, Poland and Romania.

Industrial production plummeted by an average of 17.5 per cent in east Europe and 1990 was the worst year for agriculture in a decade.

ECE economists forecast a big rise in unemployment throughout the region in 1991. However, they emphasise the need for the tough measures introduced by some east European countries to control accelerating inflation and limit budget deficits.

The number of jobless is expected to exceed 4m in east Europe this year and reach 5.3m in the Soviet Union. Unemployment rates could range from about 4 per cent in Romania and the Soviet Union to 15 per cent in east Germany.

Falls in national output were much greater than expected and shared the following general causes:

- The old command systems of the centrally planned economies collapsed much faster than anticipated.
- The Comecon trading and payments system which linked the Soviet to the east European economies disintegrated.
- Energy supplies were disrupted; Soviet deliveries to eastern Europe were more than 20 per cent lower than agreed.
- Gross fixed investment fell on average by 14 per cent in east Europe and by 4 per cent in the Soviet Union.
- It became increasingly difficult to obtain new commercial credit from the west.

The ECE highlights the hesitancy of western private investors and the dramatic reduction in commercial bank lending to eastern Europe last year.

Lending by banks reporting to the Bank for International Settlements fell by nearly $7bn in the first nine months of 1990 compared with a rise of $9.3bn in 1989.

Between October 1989 and January 1991, the number of foreign investments registered in east Europe and the Soviet Union rose from 2,900 to 16,700.

But the amounts were very small, averaging only $500,000 per joint venture by January.

The report says there is a coherent framework of policies and targets in Poland, Hungary and Czechoslovakia, whereas the deterioration in the Soviet Union, Bulgaria and Romania "reflects a loss of central control and the absence of coherent alternatives".

The ECE secretariat finds the most encouraging developments in Hungary and Poland.

It cites "scattered evidence" of the growing role of the private sector in Hungary.

It adds that, in Poland, output (gross value added) grew by 17 per cent in the private manufacturing sector.

Economic Survey of Europe, 1990-91, final report available in May, $80 from Sales Section, Palais des Nations, CH-1211 Geneva 10, or from UN shops.

Thin line: unemployed East Berliners wait to register in Marzahn district

Japanese trade union leaders agree to lower wage increases

By Robert Thomson in Tokyo

JAPANESE trade union officials, now concluding the annual spring ritual of wage bargaining, have apparently accepted the arguments of employer representatives that increases must be lower this year because economic growth has slowed.

In negotiations that will set wages for most Japanese workers, leading industries have offered increases of about 5.6 per cent, down from last year's 5.94 per cent, and indicated that they are willing to negotiate a cut in annual working hours. The government had feared that a large wage rise from the "spring offensive" would add to inflationary pressures. However a Finance Ministry official said the increase, expected to be 5.5 per cent on an all-industry calculation, is reasonable and likely to have a limited impact on prices.

The bargaining is not finished and Japanese railway workers yesterday gave their annual notice of an intended strike. Yet the ritual is in its final days and leading unions have indicated satisfaction, despite earlier demands for increases of 8 per cent or more.

Negotiations are on schedule and the precedents set by steel, electrical appliance, power, and motor companies will apply to most workers.

Steel companies have formally offered 4.33 per cent, electrical appliance makers an average of 5.55 per cent, and power utilities about 5.6 per cent. Unions at Nippon Telegraph and Telephone (NTT) yesterday accepted a 6.03 per cent increase and cancelled a planned strike.

The decline in wage awards for the first time in four years is seen as a victory for companies, which are expecting a fall in profits this year. The decline comes despite a labour shortage, highlighted by the highest ratio of vacancies to job seekers, 146 to 100, for 17 years.

But the outcome of the negotiations reflects the increasingly close relationship between Japanese unions and management which argued that a higher increase would contribute to inflation, estimated to be 3.1 per cent for the year ending in March, the largest increase for nine years.

A leading Japanese newspaper, the Asahi Shimbun, which leans toward the left, yesterday urged workers to "bargain harder," and suggested that "there is something murky" about the wage negotiations.

"What is called into question is whether the posture of labour in tackling wage negotiations, and the wage increases themselves are proper," the paper said.

Mr Kim Schoenholtz, a senior economist at Salomon Brothers, said the wage increase is "lower than would have been expected a few months ago" and suggested that "unions have become less aggressive and more practical" in assessing corporate profitability.

Indian Hindus stage huge revivalist demo

By David Housego in New Delhi

INDIA'S Hindu revivalist movement demonstrated its strength yesterday by organising one of the largest rallies in the capital since independence. It thus achieved a success that could boost enormously the prospects of the militant Hindu Bharatiya Janata Party (BJP) in the coming general election.

It was the first time that Hindu leaders have intervened so openly and so massively in Indian politics in support of a particular party. The BJP's campaigning on this issue is also seen as close to violating the electoral code which forbids parties to seek votes on religious grounds.

The rally coincided with news that the state assembly of Uttar Pradesh, the largest state in the union and the one in which Ayodhya is located, was being dissolved as a result of the failure of Mr Mulayam Singh Yadav, the chief minister, to reach an understanding with the Congress Party. State Assembly elections will be held in May at the same time as the general election.

In New Delhi, a mammoth crowd waving saffron flags and stretching further than the eye could see cheered wildly as Mr L. K. Advani, the BJP leader, pledged that "no power on earth can stop us from constructing the (Hindu) temple at Ayodhya." The proposed temple, which would be built on the site of a mosque at Ayodhya in northern India, is projected by the revivalists as a symbol of Hindu unity and resurgence.

Young men wearing saffron head bands expressed their enthusiasm for the controversial temple project with cries of "Jai Shree Ram" (victory to Ram). The temple would be dedicated to Lord Ram, a Hindu deity, said to have been born at Ayodhya.

The organisers claimed that more than 2m were present at the rally – although the police put the figure at several hundred thousand.

Blood stains a shrine of the Iraqis

Continued from Page 1

the floor in rooms where officials said the rebels decapitated Baath party members.

Piecing together the story of what really happened in the south is difficult but, judging by interviews with residents, soldiers and officials, the rebels included many army deserters, political activists – some who came from Iran – and angry residents who had taken part in anti-government protests.

Officials in the Shia holy cities of Karbala and Najaf claimed many Iranian infiltrators were arrested by the authorities. Residents confirmed that they were Iranians among the rebels. Some slogans were written in Persian.

According to residents of Karbala, Iranians and Islamic opponents of the regime – apparently based in Tehran – entered the city with Iraqi troops who were withdrawing from Kuwait. "They were dressed in Iraqi army uniforms and heavily armed," said one resident.

Residents and soldiers said it did not take more than a few hours for the army to recapture the two cities. The Iraqi government sent the elite Republican Guard to quell the unrest.

"We first fought in Karbala, then Kirkuk before we came to Arbil," said a young member of the Guard.

The regime hopes the reassertion of its authority will discourage neighbouring Iran and Syria as well as the west from backing the Iraqi opposition in exile to embark on another uprising.

Mr Saadoun Hamadi, the newly-appointed prime minister, promised fundamental structural changes in the political system in a televised speech over the weekend.

This pledge, along with a televised meeting of the cabinet, chaired by Mr Saddam, suggest the process of separating of the head of state's powers from the executive might have started.

Agencies assess scale of exodus, Page 4.

Aid urged for Kurds

Continued from Page 1

Iraq's withdrawal from Kuwait, and the position of the Kurdish rebels. Their plight was "very distressing and malignant – but it is wholly within the borders of Iraq and we have no international authority to interfere," he said.

The prime minister rejected the criticism that the response to the Kurds' plight had been tardy, and said that assistance had been provided over the last few weeks and months. There had been, he said, "a considerable amount of forethought and planning".

His comments were seen as as an implicit response to the suggestion that the government had only increased its efforts after a call from Mrs Margaret Thatcher, his predecessor, on Wednesday.

He also denied that the allies had encouraged the Kurds to revolt against Saddam Hussein, saying it had always been the case that the Iraqi military was in the best position to get rid of Saddam's regime.

Mr Neil Kinnock, leader of the opposition Labour party, welcomed the steps the British government had taken to respond to the crisis. He acknowledged the restraints on military intervention by the allied forces, and called for the international economic sanctions against Iraq to be maintained until attacks on civilians had stopped.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Berlin	F	13	55	Caracas	F	29	84	Faro	C	15	59	Islamabad	F	27	81
Algiers	C	15	59	Biarritz	R	15	59	Casablanca	F	17	63	Florence	F	18	64	Istanbul	C	9	48
Amsterdam	S	12	54	Bombay	C	32	90	Chicago	C	12	54	Frankfurt	F	13	55	Jakarta	R	30	86
Athens	C	15	59	Bordeaux	R	9	48	Cologne	F	13	55	Geneva	F	10	50	Jersey	C	11	52
Bahrain	T	26	79	Boulogne	R	7	45	Copenhagen	C	8	46	Gibraltar	S	17	63	Johannesburg	S	23	73
Bangkok	F	35	97	Brussels	F	11	52	Corfu	F	15	59	Glasgow	C	9	48	Las Palmas	F	26	79
Barcelona	F	14	57	Budapest	S	16	61	Dallas	C	14	57	Helsinki	S	10	50	Lisbon	C	14	57
Beirut	–	–	–	Buenos Aires	C	19	66	Dublin	G	16	60	Hong Kong	C	19	66	London	R	8	46
Belfast	F	5	41	Cairo	S	25	77	Dubrovnik	F	16	61	Innsbruck	F	12	54	Los Angeles	S	13	55
Belgrade	S	17	63	Cape Town	S	26	79	Edinburgh	C	10	50	Inverness	C	8	46	Luxembourg	C	10	50

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	18	64	Milan	C	12	54	Nicosia	F	18	64	Salzburg	C	13	55	Tenerife	C	18	64
Madrid	C	11	52	Montreal	S	3	37	Oporto	R	13	55	San Francisco	S	9	48	Tokyo	S	18	64
Majorca	S	16	61	Moscow	S	14	57	Oslo	R	4	39	Seoul	S	14	57	Toronto	S	-2	28
Malaga	S	16	61	Munich	C	10	50	Paris	R	9	48	Singapore	F	30	86	Tunis	F	18	64
Malta	F	17	63	Nairobi	F	25	77	Peking	S	18	64	Stockholm	C	11	52	Valencia	F	19	66
Manchester	F	9	48	Naples	F	19	66	Prague	F	15	59	Strasbourg	C	12	54	Venice	F	14	57
Manila	F	33	91	Nassau	C	27	81	Reykjavik	Sn	-4	25	Sydney	S	25	77	Vienna	F	14	57
Melbourne	C	17	63	New Delhi	S	32	90	Rhodes	F	16	61	Taipei	C	24	75	Warsaw	F	16	61
Mexico City	C	34	93	New York	S	8	46	Rio de Janeiro	F	29	84	Tangier	F	25	77	Washington	F	6	43
Miami	F	23	73	Nice	F	16	61	Rome	F	17	63	Tel Aviv	F	20	68	Zurich	C	9	48

Temperatures at midday yesterday C—Cloudy Dr—Drizzle F—Fair Fg—Fog H—Hail R—Rain S—Sunny Sl—Sleet Sn—Snow T—Thunder

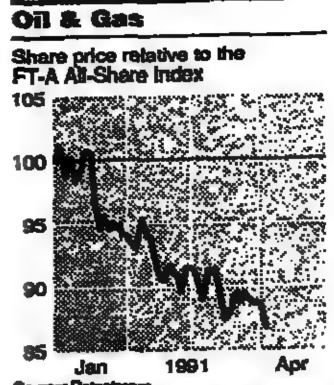
THE LEX COLUMN

The banks take care of WPP

WPP's $1bn-plus rescue package is a mirror image of the Saatchi & Saatchi deal. Saatchi's ordinary shareholders suffered atrocious dilution and were asked to put up extra cash. WPP's reconstruction is a pure banking deal, leaving the equity base untouched. It is a moot point which set of shareholders ends up better off.

The first eyebrow-raising part of the package is fees totalling up to £20m, or a quarter of WPP's present market value. On top of that, the company has to pay 2 percentage points over Libor on its debt, live within interest cover rising from 2.0 to 2.8 times and forego all access to the profits of its operating subsidiaries until debt has been sufficiently reduced. Something over $400m must be repaid by June 1993 and another $600m by 1997. Preference dividends will not be paid until June 1993 at the earliest, by which time there will be a backlog of £45m to clear off. Add in some £20m a year for cash earn-out commitments and ordinary shareholders may well ask themselves whether they will see any dividends this side of the millennium.

In such circumstances, the shares are impossible to value. The state of current trading is of relevance only to the banks. An attempt might be made to derive a present value for future revenues in the Eurotunnel manner: but the uncertainties surrounding WPP's future make Eurotunnel's valuation look positively scientific. Since the market began to realise a month ago that WPP was not going bust after all, the shares have outperformed a rising market by 170 per cent. Where they go from here can be of interest only to the specialist.



Costain

Costain's rights issue is a distress call par excellence. High interest charges and a further hefty land write-down have almost erased profits above the line: balance sheet gearing is now almost 100 per cent: and the company's recent stock market underperformance has been such that a whopping 10.5 per cent yield has been offered to shareholders as an inducement to stump up the cash. Surely raising new equity was intended to be cheaper than going to the bank.

The market's reaction in putting the shares higher yesterday shows a touching faith in Costain's ability to claw its way back. The contracting and engineering business retains its quality in still competitive markets. But the group as a whole has paid a grievous price for trying to reinvest the cash generated by these activities in mining and residential property simultaneously. The Pyro coal acquisition in the US may have been dogged by bad luck, but the property excursion in the UK has so far proved an unmitigated and hugely expensive disaster. Trading losses on the housebuilding side last year have not been disclosed but may add a further £15m to the £45m of accumulated land write-downs.

The worrying thing is that the balance sheet repairs are not yet complete. Doubtless, borrowings can be further reduced in due course through disposals and cash flow. The immediate effect of the rights issue, though, is to leave gearing at a still unacceptably high 70 per cent. Presumably the company would have asked for more than £77m if it had dared, but had left it too late. The lesson was rubbed in yesterday by the £44m cash call from Ibstock Johnsen, which foresees a difficult year and is seeking shareholder support in advance.

NatWest

Lord Alexander, National Westminster Bank's chairman, is turning out to be a pretty mean sabre-rattler. Hard on the heels of his profits ultimatum to County NatWest comes another to Bancorp, NatWest's costly US subsidiary. However obscure Lord Alexander's motives for such public declarations, evidence seems to be mounting of a fundamental change in the style of leadership at the UK clearers.

Put bluntly, Bancorp has been NatWest's Crocker Bank, running up $363m of net losses between 1985 and 1990 and devouring huge quantities of capital. But while it might regret over-paying in the first place, NatWest is unlikely to be thinking seriously about a disposal. The market for US banks stocks is fast picking up and Bancorp could conceivably be making steady profits by the second half of this year. A UK director has just been installed to run the bank. To sell anywhere near the bottom of the cycle would open Lord Alexander to the very criticism he is implicitly making about NatWest's previous management.

Oil sector

As the FT-SE moved to its all-time high this week, the oil sector was falling in absolute terms. Having trailed the market since the end of the Gulf war, it now stands at its lowest relative yield since the early 1980s. Among individual shares, Enterprise has underperformed in that period by 20 per cent. Ultramar is on a three-year yield relative low and its historic p/e stands at a 21 per cent discount to the market.

On the face of it, the explanations are clear enough. Oil shares are less highly geared to economic recovery than the more cyclical sectors. The longer-term outlook for crude prices may be on balance favourable, but there is unlikely to be any upward movement this quarter from the current $18 per barrel. The exploration companies remain unattractive as asset plays. Even at their depressed levels, shares in the sector are not so far out of their recent trading ranges as to be obviously cheap.

But it may be that in concentrating on the economic cycle, the market has under-estimated the effect on oil company earnings of the rise in the dollar. BP, for example, will enjoy a welcome increase in its cash flow and will not be alone in finding it much easier to deliver real dividend growth. Demand for oil has yet to be affected by higher prices in local currencies. Last month's Opec meeting allowed Saudi Arabia and Iran to lay the ground for further co-operation in June. The few completed asset sales have implied steady values.

This scarcely makes a case for a bull run, more an argument that the underperformance may have gone too far. If the FT-SE loses momentum, the sector will bounce anyway. Before then, investors with a medium-term horizon will doubtless be thinking about increasing their weightings.

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INSIDE

US insurer to cut workforce by 25%

USF&G, the troubled US insurance group, has announced plans to cut its 11,800 strong workforce by around a quarter. The Baltimore-based insurer yesterday also revealed intentions to reorganise its operations so that commercial and personal insurance lines become separate businesses with independent profit centres. USF&G reported a $569m loss last year and cut its dividend from 25 cents a share to 5 cents. Page 18

Tomorrow and tomorrow ...

A business consortium known as the Atlantal group is negotiating with the Icelandic government, the country's National Power company and local authorities to build a 210,000-tonne-a-year aluminium smelter. The project has been anxiously awaited in Iceland as it could mean a significant boost to the country's economy, but agreement has been fraught with delay and the original time-table has been adjusted more than four times already. Page 30

Irish Sugar and spice

The imminent stock market listing of the Irish Sugar Company, a state-run concern since the 1930s, marks [illegible] the Dublin government's [illegible] fully [illegible] privatisation programme. Having confronted financial ruin only five years ago, Irish Sugar has staged a [illegible] turnround, largely due to heavy government investment. Chris Comerford, group chief executive (above), says the public perception of the group has changed: it is now looked on as "a solid, efficient enterprise" that has aspirations to expand overseas into a "broadly-based agribusiness". Kieran Cooke reports. Page 22

Fancy footwork for Scholl

Scholl, the personal and foot care products group, reported a small fall in profits last year after implementing a major restructuring programme. Following a number of disposals, turnover was almost halved to £[illegible]m ($[illegible]m) and pre-tax profits dropped to £14.18m from £[illegible]. Neil Franchino, chief executive, said that last year's performance reflected its success in penetrating certain markets and in developing new products. Page 23

'Near' to cheese and yoghurt

Perrier, the French mineral water group, is selling two dairy products subsidiaries – cheese producer Valmont and yoghurt group Jean Jacques [illegible] Besnier, the leading French dairy group. No price has been announced for the sale. Besnier, a family-owned group with sales estimated at FFr20bn ($3.52bn) last year, is already a leading name in French butter and milk [illegible] and [illegible] the camembert cheese sector. This acquisition will strengthen its blue cheese sector. Page 16

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Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
[illegible]	483.5	+	8.5	Cred Lyon (CI)	675	+	13
[illegible]	529	+	24	Elf Occidentale	799	+	11
Falls				Locafrance	463.5	+	15.2
[illegible]	411	–	9	Falls			
[illegible]	773	–	9	[illegible]	519	–	19
[illegible]	254	–	10.5	[illegible]	500	–	21
[illegible]	806	–	14	[illegible]	382	–	10
[illegible]	690	–	30	TOKYO (Yen)			
NEW YORK ($)				Rises			
Rises				[illegible]	1290	+	170
Apple	71¼	+	1¼	Pacific Ind	700	+	75
[illegible]	19½	+	1½	Taiko Electric	779	+	100
[illegible]	15⅛	+	⅛	Falls			
Falls				[illegible]	1650	–	100
[illegible]	72	–	4½	[illegible]	2300	–	200
[illegible]	23¾	–	1¼	[illegible]	1950	–	210
[illegible]	26¼	–	2				

New York prices as at 12.30pm.

LONDON (Pence)							
Rises				Stanley Lsls	150	+	10
[illegible]	131	+	11	Tilbury	723	+	19
[illegible]	593	+	165	WPP	189	+	23
[illegible]	506	+	14	Falls			
[illegible]	74	+	12	[illegible]	82	–	5
[illegible]	509	+	24	[illegible]	163	–	8
[illegible]	473	+	11	[illegible]	485	–	18
[illegible]	158	+	8	[illegible]	85	–	11
[illegible]	459	+	10	[illegible]	56	–	3
[illegible]	283	+	10	Wyndham	22	–	9

BMW aims to beat last year's record

By Andrew Fisher in Munich

BMW, the German luxury car producer, [illegible] in 1991 last year's [illegible] profit performance, Mr Eberhard von Kuenheim, the chief executive, said yesterday.

He also said "several hundred million D-Marks" might be invested in a new east German plant. He declined to say if this would be in the aero-engine sector, where BMW has a partnership with Rolls-Royce of the UK. BMW has said a second site is being sought to add to its aerospace plant near Frankfurt.

Despite the world economic slowdown, tax rises in Germany, and the possibility of high wage settlements in German industry, he asserted: "We are very confident about 1991."

Last year, BMW raised turnover by 2.5 per cent to DM27.2bn ($16.34bn), group pre-tax profits by 6.5 per cent to DM1.7bn, and net profits by 25 per cent to DM696m.

The steeper rise at the net level was caused by a lower foreign tax bill. Earnings per share were DM57 against DM54.

Mr von Kuenheim said turnover would approach DM30bn this year, but declined to quantify profits growth. "We are not prophets, and we live in a time of discontinuity."

Because of the introduction of the new 3-series – BMW's smallest model – output in the first three months of 1991 fell by 16 per cent to 125,000 cars.

Turnover for the first quarter was 10 per cent less at DM6.3bn, but Mr von Kuenheim said the January-April figure would exceed last year's DM9.2bn.

By early autumn, production of the new 3-series should be running at 1,500 a day against 1,200 for the previous model. This model accounts for just over half of BMW's output, which rose last year by 1.6 per cent to 520,000 cars.

Mr Volker Doppelfeld, the finance director, said last year's increase had occurred despite interruptions caused by the introduction of the new 3-series and the large 850i coupe.

The weakness of the dollar, the yen and other currencies against the D-Mark also held back turnover. At unchanged rates, turnover would have been DM1bn higher.

Dai-Ichi Kangyo in Tokyo link-up

By Stefan Wagstyl in Tokyo

DAI-ICHI Kangyo Bank, Japan's largest commercial bank, yesterday announced a wide-ranging business tie-up with Jonan Shinkin Bank, the country's biggest community bank.

The agreement, which covers the mutual introduction of customers and joint development of services, is the first such comprehensive venture between a large commercial bank and a local bank.

Bankers say other banks could strike similar deals as they respond to increased competition created by financial deregulation.

Small banks prefer tie-ups to being taken over by large institutions, especially as such takeovers usually occur when a small bank is in [illegible]. For example, last month Tokai Bank, a leading commercial bank, acquired [illegible] Shinkin Bank, a small bank which over-extended itself with loans to property and stock market investors.

With deposits of Y2,200bn ($1.59bn) last September, Jonan Shinkin is regarded as one of the most successful of Japan's 450 "shinkin" banks, which rank in size below regional banks and above credit unions. The bank is based in Tokyo, an area in which large banks are keen to expand.

It already has a link with the Bank of Tokyo, the large commercial bank, in foreign exchange, but this is much narrower than the tie-up envisaged with Dai-Ichi Kangyo. Mr Minoru Makabe, the Jonan president, said a small bank could not provide the range of services customers required, including securities and international banking.

For Dai-Ichi Kangyo, which had deposits of Y48,600bn last September, the great attraction of the venture is to increase its access to small and medium-sized companies which can be more profitable clients than large corporations.

Charles Leadbeater reports on industry's reaction to UK entry

ERM – waiting for the dog to bark

HEADS shake, [illegible] brows lift, shoulders shrug and expressions go blank. That is generally what happens when the executives of British manufacturing companies are asked to assess the impact upon their businesses of sterling's six months' membership of the European Exchange Rate Mechanism.

The apparent confidence that industry can deal with life inside the ERM [illegible] from medium-sized, UK-based engineering groups such as Glynwed, to large international groups such as the conglomerate BTR.

"It has had no real impact on wage bargaining, our competitiveness, our financing, or our exchange-rate management," says Mr Gareth Davies, chairman and chief executive of Glynwed.

Mr [illegible] Bull, [illegible] finance director, comments: "There is no fundamental difference operating inside the ERM."

This appears to be quite a change of tune. Sterling's entry into the ERM, announced last October 5, provoked [illegible] warnings from industry that the central rate of DM2.95 was dangerously high. These warnings seemed to be borne out as entry [illegible] with the UK's slide into recession.

However, according to manufacturing executives, ERM membership alone was not a significant force pushing Britain into recession. They say the business environment is remarkably unchanged with sterling inside the mechanism. The limited impact of the first six months may have persuaded some that the long haul will not be as difficult as first thought. Could the ERM turn out to be the economic equivalent of a ferocious-looking dog that failed to bark?

It is still too early to say, because it is hard to disentangle the effects of the ERM from other factors affecting British business.

Executives believe the main impact has been to keep interest rates higher than they would otherwise have been because sterling must remain within 6 per cent of its central rate.

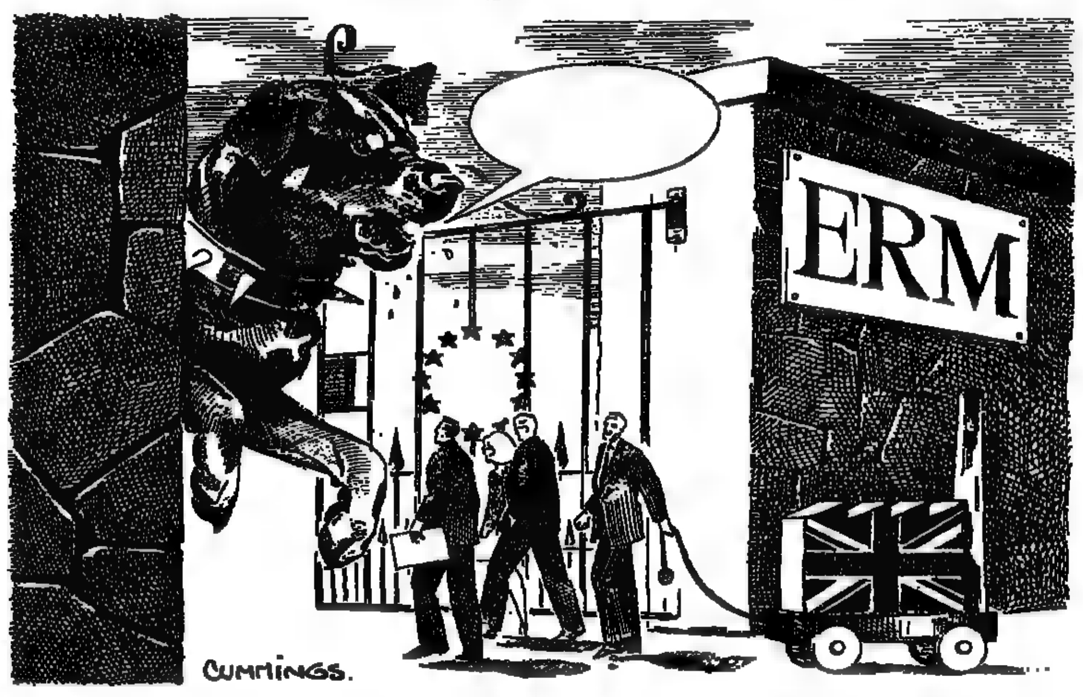
"It is just one factor in the whole scene. There has been no direct ERM effect, the main problem has been the indirect effect via interest rates," says Mr Robert Easton, chief executive of Delta, the cable and plumbing equipment manufacturer.

At well-managed companies, the ERM just reinforces established disciplines.

"We are not cutting costs because we are in the ERM. We just do it because it is a way of life," says Mr John Cahill, BTR chairman.

The air of unreality about membership has been fed by the belief that the government has not yet fully committed itself to the disciplines of the ERM. Until it does, industry will not.

A 6 per cent band still [illegible] a [illegible] volatility. Sir [illegible] Casalet, chairman of APV, the food manufacturing equipment maker, says: "A 6 or 7 per cent movement in exchange rates can still wipe out your profit margins on export business."



The implication is that industry will only really knuckle down when the UK moves to the narrow band which allows a fluctuation of 2.25 per cent. Many expect that before that, sterling will be realigned. "We certainly expect a realignment at some stage before we go into the narrow band," says Mr Michael Garner, finance director of TI, the engineering group. "We are still hedging on cross-border [illegible] because exchange rates within Europe can still move some distance."

Although the disciplines of ERM membership have proved to be fairly gentle in the short run, there seems to be a growing awareness among manufacturers that there is no turning back. Only a handful dare suggest that Britain should retain the option of pulling out. Most believe that, having entered the ERM pool at the warm, shallow end, Britain is [illegible] to be dragged into colder, deeper and altogether more [illegible] waters. It is only once the recession is over that the ERM discipline will come into its own.

"The real test is not whether we can get inflation down through a recession," said Mr Robin [illegible], [illegible] of BICC, the cable manufacturer, "but whether the ERM will help to keep inflation down when growth picks up in 1992."

Mr David Lees, chairman of GKN, the automotive components and industrial services group, comments: "If we do not crack inflation within the next three years, then manufacturing in the UK will get very tough indeed, with a cost base inflating at a faster rate than in competitor countries. If Ford, your main customer, limits you to a [illegible] per cent price increase world-wide, you cannot allow costs to rise by 8.9 per cent, the level of the retail price index in the UK."

This message of cost containment suggests that there could be a new discipline to wage bargaining and continued job cuts in manufacturing for a few years.

At the [illegible] group, the Glasgow-based pump manufacturer, chief executive Mr Ron Garrick is spreading a [illegible] message to his managers: "If we make a pay offer of 8 per cent, then we have to get cost savings of at least 5 per cent, because our competitors are [illegible] on an inflation rate of at most [illegible] per cent to [illegible] per cent. Unit costs [illegible] by more than 3 per cent a year."

Mr Andrew Teare, the new chief executive of ECC, the world's largest supplier of china clay, has identified adjusting to ERM membership as one of the most important issues facing the company. Mr Bob Carlton-Porter, ECC's finance director, says: "We are looking at our cost base in a much more detailed way. We cut [illegible] by [illegible] per cent last year and we are examining capital investment more selectively."

The next few years could mark a turning point for UK industry. If management [illegible] for a determined [illegible] on productivity and costs, Britain will begin to price itself out of the market as a manufacturing base. On the other hand, the rewards could be great if management takes up the challenge.

There is a widespread view that there is still scope within UK industry for big improvements in productivity to ease adjustment to the ERM.

Dr Alan Watkins, Hawker Siddeley's chief executive, says he was unhappy with sterling's entry rate but he does not believe the long-term threat will be great. "Within Hawker, we have got a lot of headroom because there is still a wide gap between where we are and the world's best practice in manufacturing. The UK and the productivity improvements are still there to be got."

Mr Gary Allen, chief executive of IMI, the Midlands engineering and metals manufacturer, says: "The UK [illegible] a very [illegible] [illegible] in which to invest."

Many can already see the benefits of the [illegible] stability provided by membership. ECC, for example, is able to provide [illegible] with more reliable prices, which can form the basis for longer-term international supply agreements. IMI can set more predictable [illegible] prices for components which are shipped from the UK to continental Europe.

These are the benefits of what could be a long haul for British industry.

Béghin-Say plans FFr3bn expansion in eastern Europe

By George Graham in Paris

BÉGHIN-Say, the French sugar company controlled by Italy's Ferruzzi group, is to tap the market for FFr3bn to finance its expansion projects in eastern Europe.

The group, which yesterday announced a 5 per cent fall in net profits last year to FFr1.08bn ([illegible]) as a result of lower exceptional earnings, said it planned to issue FFr1bn of new shares and FFr2bn of convertible bonds.

The conditions of these issues have yet to be fixed, but Ferruzzi, which owns about 61 per cent of Béghin-Say's capital, said it planned to subscribe to its share.

Company officials said the cash was needed principally to finance a planned corn starch factory to be built in eastern Germany at a cost of DM250m ($150m) to DM300m by its subsidiary Cerestar, European leader with a market share estimated at [illegible] per cent.

The company is also studying projects for expanding its sugar and edible oils divisions in Hungary.

Béghin-Say said group operating profits rose 6 per cent to FFr2.35bn, on sales up 2 per cent to FFr37.7bn.

Financial [illegible] diminished by 11 per cent to FFr863m, leaving pre-tax current earnings 19 per cent higher at FFr1.49bn.

The company recorded only FFr461m of exceptional profits last year, compared with FFr651m in 1989.

This reflects Béghin-Say's withdrawal over the past four years from its paper interests in the Kaysersberg tissue company and the Béghin-Corbehem paper mill.

The last 30 per cent stake in Kaysersberg was sold off in 1990, producing a pre-tax exceptional gain of FFr488m. The previous year had included not only the disposal of a first 20 per cent tranche of Kaysersberg but also the sale to Feldmühle of Germany of the 50 per cent stake it still held in the Béghin-Corbehem paper mill.

Béghin-Say's net debt stood at FFr8.47bn at the end of 1990, compared with shareholders' funds of FFr7.94bn. The company had announced plans for a rights issue in 1989, but cancelled these in the light of the stock market fall and of the FFr2bn cash it raised by selling its paper industry assets.

The company proposes a 10 per cent increase in its dividend to FFr27.50 a share, or FFr41.25 including tax credit.

NYSE firms reverse into loss

By Patrick Harverson in New York

THE US securities industry last year suffered its worst 12 months since 1973, according to figures released by the New York Stock Exchange yesterday.

The NYSE's full report on member firms showed that the 333 securities companies who conduct business on the stock market suffered their first loss in 17 years.

The exchange said its member firms lost $106m before tax last year on revenues of $54bn. In 1989 they made a $1.2bn profit on revenues of $59.5bn. The bulk of the losses were incurred in the fourth quarter, when member firms lost $128m on revenues of $13.3bn.

In the fourth quarter of 1989, a loss of $61m on revenues of $14.4bn was recorded.

The figures collected by the NYSE include income from all sources, including trading, interest and commission. Only the "specialists" made a profit. These are the marketmakers who initiate stock trades on the floor of the exchange. They have a much smaller cost base than the big broking houses.

Specialists reported net income of $1m for 1990 on revenues of [illegible]. However, this was still well down on the [illegible] profit earned in 1989. In the fourth quarter of 1990, specialists made a profit of $6m.

Several factors pushed down earnings and revenues in 1990. Trading volume on the stock exchange fell sharply during the year. Investors shied away from equities, frightened by falling asset values, and growing economic uncertainty. High US interest rates also meant that cash, bonds and other forms of assets were more attractive than stocks.

The fall in turnover dealt a blow to fee income from underwriting and broking, which declined dramatically. There was a similar fall in other, once profitable, lines of business. Investment banking income fell as mergers and acquisitions, leveraged buy-out financing, and new share and bond issues business fell sharply and, in some cases, almost disappeared.

Securities firms also underwent significant restructurings last year which made the earnings picture look worse.

This year, however, the industry is already looking better. Trading volume on the stock market has risen as investors return to equities, encouraged by lower interest rates and hopes of a quick recovery from recession.

ADT plans to sue Laidlaw over 'reckless allegations'

By Richard Gourlay

RELATIONS between ADT and its largest shareholder, Laidlaw, continued to spiral downwards yesterday when the car auctions and security company said it would to sue the Canadian waste management [illegible] for defamation.

The case against Laidlaw and [illegible] chief executive, Mr Donald Jackson, will be filed in [illegible] UK court. It follows [illegible] complaint made before a New York District Court [illegible] Monday in [illegible] Laidlaw alleged ADT directors had manipulated their company's share price for several years through transactions between ADT and its affiliates.

ADT said [illegible] case would be based on the "untrue, scurrilous and reckless allegations" contained in Laidlaw's New York case which had [illegible] reported internationally.

The latest court action further raises the temperature [illegible] a struggle for control of ADT's board on which Laidlaw [illegible] no representation in spite of its [illegible] per cent [illegible].

Laidlaw's case includes a request [illegible] the New York court [illegible] nullify an agreement with ADT [illegible] has left it with no representations.

Mr Michael Ashcroft, ADT's chairman, also *described as "blatantly incorrect"* Laidlaw's allegation he had sold [illegible] of the shares of BAA, the former British Airports Authority, [illegible] November shortly [illegible] ADT sold [illegible] shares in BAA. Laidlaw claimed Mr Ashcroft had used inside information to [illegible] his [illegible] before the market [illegible] of ADT's [illegible].

ADT said in a statement: "Mr Ashcroft wishes categorically to [illegible] in public that, other than through ADT, he has never held a personal interest (including any family or associated interest) in any [illegible] in BAA."

Affiliate pulls Nissan Motor down by 40%

By Stefan Wagstyl in Tokyo

NISSAN Motor, [illegible] Japanese carmaker, is expected to report a 40 per cent fall in consolidated net profits for the year to the end of March.

The company blames poor market conditions and the cost of covering the losses of Ikeda Bussan, a group components manufacturer, which suffered heavily through securities investments.

While other Japanese carmakers are suffering from the [illegible] demand in world markets, particularly in [illegible] US, [illegible] means the decline in profits at Nissan will [illegible] particularly [illegible].

[illegible] fell Y24 [illegible] Y776 yesterday [illegible] other leading manufacturers [illegible].

Stockbroking analysts forecast group net profits will fall to around Y70bn ($509m) from Y116.01bn last year.

Nissan, which owns 43 per cent of Ikeda, said it was not making a forecast but conceded its affiliate's losses would have an impact on the group result.

Ikeda said it would report a Y33.7bn loss for the year to the end of March, compared with a net profit last year of Y860m, due to losses on its investments plus heavy interest charges incurred funding its financial portfolio.

Nissan is to rescue Ikeda by *sending in employees and assisting with its financing and sales.*

The rescue shows how financial crises and second and third-tier companies are affecting Japan's top corporations. In Japan, large groups are expected to stand by their affiliates if they can afford to do so. Nissan said it was rescuing [illegible] company because the underlying manufacturing [illegible]. The problems [illegible] – or financial [illegible] – [illegible].

[illegible] expect more [illegible] problems [illegible] by [illegible] year's fall in [illegible] market prices [illegible] in the property [illegible] drive [illegible] small [illegible] medium-sized companies [illegible] brink of bankruptcy.

US leads corporate advisers

By Brian Bollen in London

US BANKS appear to be winning the battle to advise corporate Europe. They fill six of the top 10 places in the first European cross-border bids league [illegible] compiled by FT [illegible] Acquisitions International magazine.

The table includes only completed and lapsed cross-border bids with a continental European [illegible] UK arm.

Goldman [illegible] table, as it does the magazine's [illegible] international rankings, with [illegible] transactions totalling $3.94bn.

The *Lazard* [illegible] and Lehman Brothers International are close behind with transactions worth $3.81bn and [illegible] respectively.

The rankings are dominated by two [illegible] completed in [illegible] first quarter: Allianz [illegible] Germany's $3.3bn purchase of [illegible] Fund Insurance Company of the US and Northern Telecom of [illegible] acquisition of [illegible] UK's STC.

The top 10 banks recorded 49 [illegible] totalling just [illegible] $11bn.

EUROPEAN CROSS-BORDER BIDS (Jan 1 [illegible] Mar 31 1991)

	Adviser	Value [illegible]	No [illegible]
1.	Goldman Sachs	3,941	[illegible]
2.	Lazard Group	3,806	[illegible]
3.	Lehman Bros Intl.	3,751	[illegible]
4.	Morgan Grenfell	2,923	[illegible]
5.	Baring Bros.	2,644	[illegible]
6.	Chase Manhattan	2,140	[illegible]
7.	Morgan Stanley	1,933	7
8.	First Boston	[illegible]	[illegible]
9.	S.G. Warburg	[illegible]	[illegible]
10.	J.P. Morgan	827	8

[illegible] only completed or lapsed cross-border bids with a [illegible] European or UK leg.

Uddeholm improves to SKr233m

By Robert Taylor in Stockholm

UDDEHOLM, the Swedish steel company, yesterday reported a [illegible] per cent improvement in its profits for 1990 [illegible] SKr233m ($38.5m), after financial items, compared with SKr222m in the previous [illegible]. [illegible] that, [illegible] demand [illegible] products, profits for [illegible] expected [illegible] be worse.

[illegible] last year fell [illegible] SKr2.676bn from SKr2.823bn in 1989, [illegible] profit per share [illegible] SKr8.10 from [illegible].

[illegible] December, Uddeholm said [illegible] merge with Boehler, a unit [illegible] Austria's state-owned Voest-Alpine Stahl, [illegible] world's largest maker [illegible] special tool steels.

■ Trelleborg, the [illegible] mining and industrial conglomerate, has signed a co-operation agreement with [illegible] German company Phoenix, one of Europe's leading rubber manufacturers, for technical and [illegible] development.

Mr [illegible] Arp, president of Trelleborg Industries, the parent company of the rubber and plastics business of the *group, said the two companies* had "many points in common".

Phoenix, with its headquarters in Hamburg, had a turnover of DM1.1bn ($661m) last year.

GKN buys east German group

By John Griffiths in London

GKN, [illegible] UK components, industrial services [illegible] group, is making its first significant push into eastern Europe through the purchase of an east German motor components maker, Gelenkwellenwerk Mosel (GWM).

GWM employs 1,335 people to produce constant velocity driveshafts for cars at Mosel, southern Saxony. The acquisition is seen by GKN as the first of what could be several ventures to exploit the growth potential of vehicle markets in eastern Europe.

Two million cars were produced in [illegible] Europe [illegible] year – [illegible] east Germany – [illegible] GKN believes that annual output [illegible] to grow [illegible] 3m by 1995.

In east Germany, [illegible] expects annual car output to rise to 400,000 by 1995, compared with 156,000 last year, as the planned car plants of Volkswagen, General Motors and others come on stream.

GKN is paying only DM4m ($2.4m) for GWM, to cover plant, machinery and stocks, with the land and buildings being taken over on a long lease. *However, it expects to* invest up to £25m ($44.5m) over the next three to four years in completely refitting the manufacturing operations.

GWM [illegible] in 1978 initially [illegible] supply constant velocity joints for the outdated Trabant. In the [illegible] 10 years, its customer base [illegible] broadened [illegible] Citroen, Peugeot, [illegible] of Czechoslovakia, and the Yugoslav carmaker, [illegible].

[illegible] is [illegible] virtually certain to be [illegible] supplier of the driveshafts for the Golf and Polo cars which Volkswagen will [illegible] assembling [illegible] year at a new plant in [illegible]. However, neither GWM nor Volkswagen will confirmed any formal agreement.

GWM [illegible] also a likely front runner to supply driveshafts [illegible] the plant which Opel is building in Eisenach, [illegible] Germany.

The Eisenach plant will produce 150,000 cars a year by the mid-1990s.

Despite extensive job [illegible] in [illegible] Germany, as [illegible] out[illegible] industries [illegible] full force [illegible] international competition, GKN [illegible] last night it planned no redundancies.

Costain in £77m fundraising

By Jane Fuller [illegible] London

COSTAIN Group, the UK construction, mining and engineering concern, is raising £77m ($137) in a rights issue to help reduce net debt from a peak of £372m.

UK building and property groups have tapped the market for a total of £850m in nine rights issues so far this year.

Costain's two-for-seven issue of 51m shares, at 155p each, was anticipated by the market [illegible] Costain's share price gained 5p to close at 220p yesterday. This was [illegible] of a 90 per cent slump in taxable 1990 profit to £5.5m on turnover of £1.49bn, down from £1.33bn.

The pre-tax fall from £57.7m, itself a sharp decline, included a £25m write-down in land values, against £20m last time, reflecting the concentration of sites in the south of England and the weight of purchases made in the higher-price days of 1987 and 1988.

Mr Peter Sawdy, chairman, said Costain had planned a rights issue in 1989, when it paid £121m for outstanding stock in Pyro Energy, a US coal mining company. Legal difficulties prevented an issue and the July purchase sent gearing up to 75 per cent.

Less than two months later, an explosion which killed 10 people shut the mine for 14 weeks and production was severely disrupted for most of last year.

Interest payments, inflated by the acquisition, rose £10m to £33.9m, eating into operating profit of £64.4m, down from £101.6m.

The £77m rights issue proceeds, plus disposals and cuts in investment and working capital, would substantially [illegible] gearing from its [illegible] end level of 80 per cent. That [illegible] on net [illegible] of [illegible], a £110m reduction [illegible] previous December. The [illegible] recent figure of £372m represented a seasonal high.

[illegible] held the final dividend at 7.7p for a total of 12.25p and plans to maintain it this year. Earnings per share were 12.2p, against 28.8p, before land write-downs and 1.6p, against 21.5p, after them.

Commercial and residential property lost £2.7m compared with a 1989 operating profit of £34.3m. The value of the commercial property portfolio fell to £142m from £206m.

Mining profit improved to £40.1m from £37.9m, after a strong performance in Australia.

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Poliet advances to FFr1.14bn

By George Graham

POLIET, the building materials group at the centre of a [illegible] of [illegible] by the Paribas [illegible] banking group, has announced a [illegible] jump in net profits to FFr1.14bn ($202m) last year, thanks to a FFr570m exceptional profit on [illegible] of its plaster business [illegible] last year to BPB Industries.

The company said net profits from its operating divisions rose 18 per cent to FFr843m, but it had to write off FFr[illegible] of goodwill and made an exceptional provision of FFr94m for the cost of restructuring companies it acquired in the carpentry sector.

The FFr7bn to FFr12bn series of paper offers launched last week by Paribas is expected to give Poliet outright control of Ciments Français, the second largest French cement group, of which it already owns [illegible] per cent, and in turn place Poliet under the full control of Paribas, which currently owns [illegible] per cent.

Japanese banks form commercial link

By Stefan Wagstyl

DAI-ICHI Kangyo Bank, Japan's largest commercial bank, yesterday [illegible] a wide-ranging business tie-up with Jonan Shinkin Bank, the country's biggest community bank.

The agreement, which covers the mutual introduction of customers and joint development of services, is the first such comprehensive venture between a large commercial bank and a local bank.

Bankers [illegible] other banks could strike similar deals as they respond to increased competition created by [illegible] deregulation.

Small banks prefer tie-ups to being taken over by large institutions, especially as such takeovers usually occur when a small bank is in difficulties. For example, last month Tokai Bank, a leading commercial bank, acquired Sanwa Shinkin Bank, a small unit which overextended itself with loans to property [illegible].

With deposits of Y2,200bn ($1.59bn) last September, Jonan Shinkin is regarded as one of the most successful of Japan's 450 "shinkin" banks, which rank in size below regional banks and above credit unions. The bank is based in Tokyo, an area where large banks are particularly keen to expand.

It already has a link with the Bank of Tokyo, the large commercial bank, in foreign exchange, but this is much narrower than the tie-up envisaged with Dai-Ichi Kangyo.

Mr Minoru Makabe, the Jonan president, said a small bank could not provide the range of services required.

Mapfre rises 37%

CORPORACION Mapfre, Spain's biggest insurance group, [illegible] a 37 per cent rise in [illegible] net profit last year, helped by a sharp rise in [illegible] income, AP-DJ reports from Madrid.

The insurer reported net profit of Pta4.45bn against Pta3.23 bn in 1989.

"Our investments are beginning to pay off," Mr Domingo Sugranyes, the general manager said.

INTERNATIONAL COMPANIES AND FINANCE

GFSA mines hold decline to 7.5%

By Philip Gawith in Johannesburg

COMING in a week which saw the local gold mining industry hit by a mine closure and the suspension of a big exploration project, the seven mines managed by Gold [redacted] of South Africa (GFSA) performed better [redacted] than expected [redacted] report only a 7.5 per cent decline in after-tax profits to R219.8m ($73.8m) in the March quarter.

The gold price received was 1 [redacted] cent down [redacted] the previous quarter [redacted] R30,929/kg. Gold production and revenue were largely unchanged at 28,267kg and R875.3m. An indication of hard times, however, was the drastic reduction in capital expenditure from R203.6m [redacted] R141.5m, with only vital long-term projects being pursued.

Mr [redacted] Munro, executive director, said both East and West [redacted] had done well [redacted] lower their costs per ton [redacted] East Driefontein battled with production difficulties which [redacted] the yield drop from 8.2 to 7.9g/t. He described the yield of 11.4g/t [redacted] West Driefontein as the outstanding feature of what was "far and away the best mine in the industry" on any measure.

The mine produced [redacted] of gold in the quarter at [redacted] profit [redacted] about R15,000/kg to record a working profit of R128.5m.

Working profit at East Driefontein was R67.5m and the combined after-tax profit of Driefontein Consolidated was R123.8m.

Driefontein was the only mine in the group to pay tax and there are probably only three other mines in the industry which will pay tax this year.

Kloof, the other very rich mine in the group, did well to lift its grade from 12.5 to 12.8 g/t, and gold production to 6,937kg, given severe disruption caused by a shaft accident. Production commenced during [redacted] quarter at the Leeudoorn [redacted]. After-tax profit declined to R81.9m from R91.3m.

Of Venterspost, the group's most marginal mine, Mr Munro said: "The patient is still alive, but gravely ill." The mine made a working loss of R6.1m. Also in difficulty [redacted] Libanon and Doornfontein, which made working losses of R1.2m and R7.7m respectively.

Kvaerner Engineering confirms Swiss buy

By Karen [redacted] in [redacted]

KVAERNER ENGINEERING (KE), a unit of Norway's big Kvaerner group, yesterday confirmed that it had acquired a majority 60 per cent [redacted] in R.J. Brown and Associates, [redacted] Swiss-based, privately-owned company which [redacted] the world's leading marine pipeline engineers for the oil and gas industry.

Mr Olav Furnes, KE's president, said he could not disclose the purchase price but explained that with the deal came a purchase option for his company to fully acquire R.J. Brown and Associates in two separate 20 per cent acquisition phases.

The takeover of the company propels KE to a strong position to compete in markets outside the North Sea. In particular, [redacted] company's presence in south-east Asia, where [redacted] has been working since 1981, will be strengthened substantially.

R.J. Brown and [redacted] was established in 1969 and has main offices in Houston, London, Singapore and Sydney.

Mr Furnes said:

"The combined strength of R.J. Brown and Associates and Kvaerner Engineering in south-east Asia will enable us to extend our product range and to undertake larger deliveries, making us a powerful offshore engineering organisation in a region where investments are expected to be high over the next few years."

In a deal announced earlier this week, EB Corporation, the Norwegian unit of ABB Brown Boveri, the European electrical and engineering group, was strengthened by ABB's acquisition of Vetco Gray, one of the world's leading suppliers of underwater production equipment for the oil and gas industry.

● Danisco, the Danish food, drink and packaging group, has agreed to pay Sweden's Svenska Cellulosa DKr500m ($78m) for the 50 per cent of Colon Emballage it did not already own, Reuter reports from Copenhagen.

Colon has annual sales of about DKr1.1bn and is Denmark's biggest producer of corrugated cardboard with a market share of 30 per cent.

CSR again downgrades forecast

By Mark Westfield

CSR, the Australian sugar and building products group, has further downgraded its profit expectations for the year to March 31, as trading conditions in its main markets in Australia and the US remain depressed in the second half.

Mr Ian Burgess, the group's chief executive, said yesterday that net earnings before abnormal and extraordinary items were likely to be 20 per cent below last year's result of A$466.9m (US$315.4m) after forecasting last November a 12 per cent downturn for the year. CSR's earnings for the half-year to September 30 were 12 per cent down at A$206m.

The latest forecast would bring in CSR's after-tax earnings at A$325.5m. CSR's [redacted] price dipped 2 cents to [redacted] on the news.

Mr Burgess also said he did not expect the full-year dividend to be held at [redacted] year's 40 cents, but the board had yet to make a final decision on this issue.

"Economic conditions in Australia and the US are worse than expected and CSR's markets have not recovered," Mr Burgess said in a statement to the Australian Stock Exchange.

He said markets for CSR's products could deteriorate further. World sugar prices remained depressed and construction activity in Australia continued to decline, with building approvals in February 2.9 per [redacted] below the previous month.

Australian Air back in profit

By Mark Westfield in Sydney

AUSTRALIAN Airlines, the government-owned domestic carrier, [redacted] the turbulence [redacted] deregulation and [redacted] Gulf [redacted] to report a A$8.97m (US$6.95m) profit for the six months to December 31.

This compares with the reported loss of A$48m for the corresponding period in 1989, when the country's 1,500 domestic pilots resigned over a pay dispute and plunged the industry into a drawn-out and costly confrontation.

Mr John Schaap, Australian Airlines' chief executive, predicted in November that the airline, which is due to be privatised, would earn between A$60m and A$100m for the financial year ending on June 30. His forecast was made before the Gulf crisis had increased the airline's fuel bill by an additional A$65m and reduced the number of over[redacted] tourists flying [redacted] Australia.

Mr Ted Harris, chairman, yesterday declined to predict the full-year result, but said it would be helped by the sale of [redacted].

Mr Harris said Australian Airlines had suffered from the effects of a price-cutting war after the domestic airline industry was de-regulated on November 1, and an unexpected drop of about 9 per [redacted] in passenger numbers.

A new rival airline, Compass Airlines, reported a A$1.8m loss for the same six months.

Record year's trading for Tan Chong Motor

By Lim [redacted] Hoon in [redacted] Lumpur

TAN Chong Motor, [redacted] Malaysia's largest industrial groups, raised operating [redacted] by 76 per [redacted] in [redacted] to M$270m (US$77.2m) on turnover 26 per [redacted] M$2bn.

Net profits last year were up by 54 per cent to M$165m, or 24.5 cents a share compared with 15.9 cents previously.

The results, the best ever achieved by the automobile group, revealed the extent of how its move into auto parts, trucks and tractors have paid off in overcoming four years of competition from Proton, the Malaysian national car group.

Until the introduction of Proton, which now controls two-thirds of domestic car sales of 120,000, Tan Chong was the market leader in the assembly and distribution of the Japanese Nissan car.

Qantas plans to shed more than 3,500 jobs

By Mark Westfield

QANTAS, Australia's international airline, plans to shed up to 5,000 of its 17,000 employees, Mr John Ward, chief executive, said yesterday.

Mr Ward said the airline was still going through the "painful process" of identifying job cuts. He said losses of about 3,500 would be a reasonable estimate but that 5,000 was at the upper end of options.

"If we can identify ways of reducing staff numbers by 5,000 and keep our standards and growth prospects alive, that's what we'll do," he said in a radio interview.

Qantas, expected to be partially privatised soon with the flotation of 49 per cent of its capital to the public, is expected to make an operating loss this year of about A$350m (US$271m). The airline may break even after the sale of 10 of its Boeing 747 aircraft.

Last month, a dozen of the airline's most senior executives said they would be taking 5 per cent salary cuts as part of the cost-cutting measures.

● Ansett Australia Airlines, meanwhile, has said it will seek rights to fly internationally if Qantas is allowed to buy 25 per cent of Ansett's main domestic rival, Australian Airlines.

Mr Tony Hill, Ansett spokesman, said yesterday, in response to reports that Qantas wanted to gain access to the domestic market, that the airline would immediately seek full international rights, if the government agreed to the Qantas request.

According to a report in yesterday's Australian Financial Review, the federal cabinet would soon consider a Qantas request to buy a stake in Australian Airlines as part of the privatisation process for the two state-owned airlines.

Maruti lines up small car for Europe

By K.K. Sharma in New Delhi

SUZUKI Motors of Japan, which has a 40 per cent stake in Maruti Udyog, its joint venture with the Indian government, has agreed to leave the European market for small cars to the Indian company.

Maruti plans to launch a new generation small car in Europe in 1993.

Finding a sizeable export market has become imperative for Maruti to enable it to fulfil its commitment to the Indian government to increase hard currency earnings and finance imports of components at a time when the government has placed restrictions on all imports because of severe balance of payments problems.

Maruti has already started selling abroad its 800cc model – the most widely sold car in India – particularly in France and some east European countries.

The company has signed agreements for the export of 30,000 cars to various countries in the next 12 months. This is expected to fetch it Rs1.8bn ($92m) in hard currency.

According to Mr R.C. Bhargava, chairman and managing director of Maruti, which is India's largest car manufacturer with more then a 60 per cent share of the domestic market, the company's foreign exchange earnings increased to around US$40m in 1990-91 compared to $25.22m in the previous year.

Maruti's turnover in 1990-91 was a record Rs15.87bn, compared with Rs12.50bn in the previous year.

Pre-tax profits are expected to be about Rs450m, compared with Rs500m last year.

INTERNATIONAL COMPANIES AND FINANCE

AT&T acts to dilute control of Unix unit

By Louise Kehoe in San Francisco

AT&T has sold shares in its Unix Systems Laboratories subsidiary which is responsible for the development and licensing of the Unix computer operating system, to 11 computer industry concerns.

The equity sales represent a move by AT&T to dilute its control of Unix in an effort to promote the operating [illegible] as an industry wide [illegible].

Investing in USL are Amdahl, Motorola, Novell and Sun Microsystems of the US, ICL and Olivetti from Europe as well as Fujitsu, NEC, Oki Electric and Toshiba of Japan and the Taiwanese Institute for Information Industry.

Terms of the sale were not disclosed, but the investors are believed to have collectively acquired slightly more than 20 per cent of USL for a reported $65m. In addition, 10 per cent of shares in USL have been reserved for employees.

By divesting a portion of USL, AT&T also aims to boost [illegible] support for its version of Unix, which competes with an alternative version developed by the Open Software Foundation, whose members include IBM, Digital Equipment and Hewlett-Packard.

Mr Robert Kavner, AT&T group executive who heads the company's computer operations, said: "AT&T is convinced that the best way to nurture the growth of the Open Systems movement, and to share in it ourselves, is to establish an independent Unix System Laboratories."

Molson to write off Harlin exposure

By Bernard Simon in Toronto

MOLSON, the diversified Canadian brewer, is writing off its entire exposure to Harlin Holdings, the troubled Australian group, with which Molson had hoped to forge an international beer alliance.

Molson said it would make provision in its year ending March 31 for its equity investment of C$45m (US$39m) in Harlin, equal to a 6 per cent stake, as well as a C$111m indemnity on a Harlin note which Molson provided to an unidentified North American bank. Molson plans to buy back the Harlin note to avoid further liability for future unpaid interest.

Molson said that, subject to the co-operation of Harlin's main creditors, "there remains a potential for the recovery of its investment," but that it had decided to make the provision "in view of the uncertainty and the length of time likely to be involved in any recovery".

Molson is a partner with Harlin's subsidiary Foster's Brewing in Molson Breweries, Canada's biggest brewer. It recently launched one of its brands, Molson Special Dry, in Courage pubs in Britain.

The Canadian company had hoped to broaden its brewing alliance with Foster's, but was outflanked last year when Asahi of Japan bought a 19 per cent of the Australian group.

USF&G expects to cut workforce by a quarter

By Nikki Tait in New York

USF&G, the large but troubled US insurance group, [illegible] that it expected to [illegible] its workforce by [illegible] a *quarter as it attempts a major* "downsizing" of its business.

The Baltimore-based multi-line insurer [illegible] announced that it planned [illegible] reorganise its operations so that commercial and personal lines become two separate businesses with independent profit centres.

On the commercial side, which currently accounts for 60 per [illegible] of [illegible] property/casualty business, [illegible] company said it would become more selective about writing business. It recently announced plans to stop writing [illegible] lines of insurance in [illegible] and *Louisiana.*

To clamp down on costs, USF&G cut 225 jobs at its head office in Baltimore yesterday. Although [illegible] would not detail plans for the personal lines business, the insurer said that by end-1991 it expected to have reduced its total labour force by 25 per cent from the end-1990 level of 11,800.

The cost savings, once [illegible] [illegible] was complete, should amount to $100m. This is in addition to around $75m of [illegible] from cost reduction measures already announced.

The insurer announced a $569m loss last year, and cut its dividend from 25 cents a share to 5 cents. Part of the losses resulted from an attempt [illegible] USF&G to get its troubled investment portfolio – which contained sizeable junk bond and real estate holdings – into better shape.

A new chairman, Mr Norman Blake, was brought into [illegible] insurance group last November, and other management changes have followed.

Support for Campbell Soup

By Karen Zagor in New York

THE MANAGEMENT of Campbell Soup, the big US foods group, received a vote of confidence yesterday when Ms *Diana Strawbridge Norris*, a member of the minority group which has been pressing for the sale of the company, withdrew [illegible] from [illegible] minority group.

In a filing with the SEC, Ms Norris said: "I have taken this action because I no longer share the objectives of the other participants in the Voting Trust.

"I believe that David Johnson and his team are just what Campbell Soup needs at the [illegible] time. I [illegible] like my *shares to be a source of stability to give them a chance to build on their excellent accomplishments.*"

Speculation about a possible sale of Campbell has plagued the company since 1988, when Mr John Dorrance, the company's [illegible] and patriarch died, leaving about 58 per cent of Campbell in the hands of his heirs. Ms Norris is Mr Dorrance's niece.

But the appointment of Mr David Johnson as chief executive just over a year ago has done much to restore confidence in the company.

Mr Johnson has [illegible] a wide-ranging *restructuring of* Campbell in the past year, selling unprofitable operations, discontinuing certain products and streamlining its corporate divisions.

Analysts said Campbell's performance under Mr Johnson has improved significantly. [illegible] of the Dorrance family members are believed to support management, and Ms Norris's action will reduce the [illegible] minority group's holding to 14 per cent from 17 per cent.

Campbell's stock, which has [illegible] in a range of [illegible] the [illegible] months, [illegible] $⅝ at $82⅞ at mid-session yesterday.

Perrier sells dairy sector units

By George Graham in [illegible]

PERRIER, the French mineral water group, is to sell dairy products subsidiaries to Besnier, the leading French dairy group.

Besnier, a family-owned group with sales [illegible] at FFr20bn ($3.55bn) last year, was already a strong force in French butter and milk markets, and dominated the camembert cheese market. The deal will greatly strengthen its blue cheese sector.

No price was announced for the sale of the two companies, cheese producer Valmont and yoghurt maker Jean Jacques. Perrier said there would be no net [illegible] capital [illegible] on the sale, but it would improve operating profits and reduce the debt burden of its dairy division.

Perrier has been expected to restructure its dairy [illegible] ever since the [illegible] company Exor took over management control of the group last year following the "benzene scare" which forced it to withdraw its entire stocks of Perrier mineral water from sale because of contamination.

The group makes substantial profits on Société des Caves et des Producteurs Réunis de Roquefort, dominant producer [illegible] the salty and expensive Roquefort blue sheep cheese, in which it owns 57.5 per cent. It has been losing money, however, on the more mass market products of Valmont and Jean-[illegible].

Valmont, which produces a range of Auvergnat cow's milk cheeses such as Bleu d'Auvergne, Bleu de Canasses, Cantal and Saint Nectaire, lost money last year mainly from the dairy products it does not turn into cheese milk and milk powder sold to European Community intervention stocks. Its sales totalled FFr1.2bn in 1989.

USX warns of loss on steel operations

USX, the large US steel and energy group, yesterday warned that it expected its steel operations to make a "substantial first-quarter operating loss" in the current year, writes Nikki Tait.

Mr Charles Corry, chairman of USX, blamed the impending deficit on "the recessionary climate experienced so far in 1991". This, he said, had "greatly reduced demand and depressed prices in domestic steel markets".

"The company's steel shipment levels remained very low in March, mirroring weak results which occured in the first two months of the year", he said.

"The uncertainty created by the [illegible] of an early labour agreement and the adverse economic climate have had an unfavourable impact on steel orders."

The warning from USX comes on the heels of a similarly gloomy prediction from Bethlehem Steel, another major US producer, earlier this week. Bethlehem also said that it expected to post a first-quarter operating loss, and cited similar experience.

United Air pilots in accord

UNITED AIRLINES, one of the two largest US carriers, has reached agreement with its pilots over a new labour contract, writes Nikki Tait.

United, which has been negotiating with the Air Line Pilots' Association, said the contract would now be [illegible] ted to the union's master executive council, for ratification. No details of the new contract have been released.

The previous contract became "amendable" two years ago, and – in the wake of the abortive attempt by United employees to buy out the airline last year – the current round of contract negotiations have been seen as a sensitive issue.

United said yesterday it was still [illegible] "in [illegible] faith" with the flight attendants and machinists' unions.

More jobs to go in Mitel shake-up

By Robert Gibbens in Montreal

MITEL, [illegible] Ottawa-based *telecommunications equipment* maker unsuccessfully put up for sale last year by British Telecom, is going through another severe rationalisation.

About 400 more jobs will be axed in the next few months, mainly in North America. For the year ended March 28, Mitel will report a "significant [illegible] ating loss" and also take heavy restructuring charges. Total employment worldwide, after the latest cuts, will be 3,500.

The company is facing the impact of the North American recession on its core switching equipment business and has already laid off 250 employees over the past few months.

Mitel is now merging its US and Canadian marketing groups, closing a plant in Florida and setting up a North American executive office in Washington. However, the corporate headquarters remains in Ottawa.

Corporate operations in Ottawa, Britain and Europe will be rationalised, though the British subsidiary will be affected least since its performance is satisfactory.

Mr Griffiths [illegible] the rationalisation is required to get the company back to profitability. Mitel will continue efforts to build its [illegible] of the North American and British private exchange markets.

Mitel reported a loss [illegible] C$13m (US$11.3m), or 20 cents a share, for the nine months ended December 28 1990, on sales of C$321m. It recently lost several senior managers in a streamlining, including its chief financial officer and the president of its US subsidiary. Last January, Mr John Jarvis, chief executive for four years, resigned and was replaced by Anthony Griffiths.

Another 500 lay-offs at GTE

By Nikki Tait

US GOVERNMENT defence cuts were blamed for further job reductions yesterday. GTE Corporation, the Stamford-based telecommunications company, announced it was laying off about 500 engineering, administrative and technical employees and three locations in Massachusetts.

These will affect the GTE Government Systems' command, control and communications system sector,the company said.

GTE said that the aim was to improve "cost-effectiveness". Other defence contractors - like Grumman earlier this week - have already moved to cut jobs.

CNBC step closer to FNN deal

By Karen Zagor in New York

CNBC, the cable television division of General Electric's NBC media operations, yester[illegible] moved a step closer to *acquiring Financial* News Network, when a US bankruptcy court ruled [illegible] this [illegible] in favour of [illegible] [illegible] bid for the business [illegible] media group's [illegible] operations.

CNBC has been battling with a [illegible] Jones/Westinghouse joint venture for control of FNN [illegible] March. [illegible] was put on the block in November and is operating under the pro[illegible] of Chapter 11 of the bankruptcy code.

Both bidders offered $115m [illegible] operations but [illegible] *bankruptcy court judge said* [illegible] would not accept the conditions of the Dow Jones/Westinghouse bid.

[illegible] fight [illegible] cable operations, which started in February when FNN agreed in principal to an offer of $90m from the Dow Jones/Westinghouse group, may not be over yet.

The Federal Trade Commission (FTC) is conducting an anti-trust investigation which might stymie the CNBC deal.

CNBC is FNN's only competition in the business cable television arena and the FTC might decide that a merger would be an anti-trust violation.

Gold Mining Companies' Quarterly Reports for the quarter ended 31 March 1991

All companies are incorporated in the Republic of South Africa

Driefontein Consolidated

Driefontein Consolidated Limited
(Registration No. 68/04880/06)

ISSUED CAPITAL: 204 000 000 shares of 50 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold – East Driefontein			
Ore milled (t)	720 000	720 000	2 135 000
Gold produced (kg)	5 696,8	5 923,6	17 225,6
Yield (g/t)	7,9	8,2	8,1
Price received (R/kg)	30 789	31 034	31 187
Revenue (R/t milled)	243,84	255,64	251,91
Cost (R/t milled)	150,09	152,23	153,97
Profit (R/t milled)	93,75	103,41	97,94
Revenue (R000)	175 567	184 058	537 830
Cost (R000)	108 065	109 603	328 719
Profit (R000)	67 502	74 455	209 111
Gold – West Driefontein			
Ore milled (t)	705 000	705 000	[illegible]
Gold produced (kg)	8 026,9	7 947,4	[illegible]
Yield (g/t)	11,4	11,3	[illegible]
Price received (R/kg)	30 940	31 505	31 316
Revenue (R/t milled)	352,71	353,37	[illegible]
Cost (R/t milled)	170,37	172,98	[illegible]
Profit (R/t milled)	182,34	[illegible]	172,21
Revenue (R000)	248 662	249 123	727 742
Cost (R000)	120 115	[illegible]	363 528
Profit (R000)	128 547	127 173	364 214
Reclamation plant — West Driefontein			
Treated (t)	600 000	600 000	1 800 000
Gold produced (kg)	487,4	401,8	1 285,7
Yield (g/t)	0,7	0,7	0,7
Revenue (R000)	15 142	12 541	40 210
Cost (R000)	4 532	4 040	12 242
Profit (R000)	8 610	8 501	27 968
FINANCIAL RESULTS (R000)			
Working profit: Gold and reclamation plant	204 659	210 129	601 293
Tribute royalties	—	1 029	2 675
Net mining revenue	204 659	211 158	603 968
Net sundry revenue (group)	[illegible]	[illegible]	55 639
Recovery under loss of profits insurance	—	—	1 196
Profit before tax and State's share of profit	217 368	240 685	660 803
Tax and State's share of profit	93 556	109 786	297 752
Profit after tax and State's share of profit	123 812	130 899	363 051
Capital expenditure	35 065	44 286	124 475
Dividend	—	122 400	122 400

TAX. The new rates of mining and non-mining tax as announced in the budget by the Minister of Finance have been used in the tax computation.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1991 was R775,1 million.

DIVIDEND. A dividend (No. 35) of 60 cents per share was declared on 11 December 1990, and was paid to members on 6 February 1991.

EAST DRIEFONTEIN

No. 5 Sub-Vertical Shaft-E. Equipping of the shaft is approximately 50 per cent complete. Development on 22 Level to the site of the holing of No. 7 Ventilation Shaft-E was completed.

No. 7 Ventilation Shaft-E. The pre-sinking phase was completed with the shaft sunk to a depth of 65 metres below the bank.

No. 1 Tertiary Shaft-E. The shaft was sunk to a depth of 76 metres below the bank on 34 Level. Civil work on the Belt Level continues. The installation of the rock winder is in progress.

WEST DRIEFONTEIN

No. 9 Shaft-W. Site preparation continues.

No. 9 Sub-Vertical Shaft-W. Excavation of the headgear dome on 21 Level continues. The shaft was sliped to full-size to a depth of 27 metres below the bank on 22 Level. [illegible] 21 Level work progresses on the establishment of winder chambers, and on 22 Level the installation of kibble and platform winders continues.

On behalf of the board

C. T. Fenton
A. H. Munro } *Directors*

4 April 1991

Kloof

Kloof Gold Mining Company Limited
(Registration No. 64/04462/06)

ISSUED CAPITAL: 121 100 000 shares of 25 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold – Kloof			
Ore milled (t)	540 000	540 000	1 620 000
Gold produced (kg)	6 937,1	6 776,2	20 404,6
Yield (g/t)	12,8	12,5	12,6
Price received (R/kg)	31 031	31 161	31 315
Revenue (R/t milled)	399,21	391,64	395,04
Cost (R/t milled)	220,14	[illegible]	219,58
Profit (R/t milled)	179,07	168,36	175,46
Revenue (R000)	215 [illegible]	211 488	639 963
Cost (R000)	118 880	120 573	355 716
Profit (R000)	96 696	90 915	284 247
Gold – Leeudoorn			
Ore milled (t)	95 000	—	95 000
Gold produced (kg)	401,0	—	401,0
Yield (g/t)	4,2	—	4,2
Price received (R/kg)	30 158	—	30 158
Revenue (R/t milled)	127,33	—	127,33
Cost (R/t milled)	234,59	—	234,59
Profit/(loss) (R/t milled)	(107,26)	—	(107,26)
Revenue (R000)	12 096	—	12 096
Cost (R000)	22 286	—	22 286
Profit/(loss) (R000)	(10 190)	—	(10 190)
FINANCIAL RESULTS (R000)			
Working profit: Gold	86 506	90 915	274 057
Net sundry revenue	515	359	2 149
Finance costs	(4 980)	—	(4 980)
Profit before tax	82 041	91 274	271 226
Tax	95	(44)	617
Profit after tax	81 946	91 318	270 609
Capital expenditure	72 705	125 566	327 030
Dividend	—	48 440	48 440

TAX. The new rate of non-mining tax [illegible] in the budget by the Minister of Finance has been used in the tax [illegible]

CAPITAL EXPENDITURE

(a) The unexpended balance of authorised capital expenditure at 31 March 1991 was R630,7 million.

[illegible] Included in the total of capital expenditure for the quarter ended 31 March 1991 is an amount of R47,5 million in respect of Leeudoorn.

DIVIDEND. A dividend (No. 42) of [illegible] cents per share was declared on 11 December 1990, and was paid to members on 6 February 1991.

KLOOF

No. 4 Sub-Vertical Shaft-K. The shaft was sunk 61 metres to a depth of 1 156 metres below the collar on 25 Level and the station on 39 Level was established.

No. 4 Sub-Vertical Ventilation Hole-K. [illegible] of the ventilation hole to a diameter of [illegible] metres reached a height of 886 metres and 204 metres remain to be completed.

Production. During the quarter a runaway skip in No. 1 Sub-Vertical Shaft-K caused con[illegible] damage to the shaft steelwork, power, air and water services. The milling ra[illegible] was maintained, but n[illegible] without difficulty. Repairs to the shaft are expected [illegible] be completed by the end of April 1991.

LEEUDOORN

No. 1 Sub-Vertical Shaft-L. The shaft was sunk 120 metres to a depth of 696 metres below the collar on 23 Level. The station on 33 Level was excavated.

Production. Trial milling was completed and production commenced during the quarter. The milling rate was adversely affected by the abovementioned accident in the No. 1 Sub-Vertical Shaft-K through which all of the underground productio[illegible] being hoisted. The yield was depressed by the gold lock-up. The latter [illegible] diminish with time.

On behalf of the board

A. H. Munro
M. J. Tagg } *Directors*

4 April 1991

Venterspost

Venterspost Gold Mining Company Limited
(Registration No. 05/05632/06)

ISSUED CAPITAL: 20 200 000 ordinary shares of 25 cents each, fully paid.
29 800 000 deferred shares of 25 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold			
Ore milled (t)	330 000	390 000	1 110 000
Gold produced (kg)	1 199,2	1 395,1	3 963,6
Yield (g/t)	3,6	3,6	3,6
Price received (R/kg)	31 375	30 938	31 344
Revenue (R/t milled)	114,17	110,82	112,09
Cost (R/t milled)	132,77	128,23	132,28
Loss (R/t milled)	18,60	17,41	20,19
Revenue (R000)	37 675	43 220	124 425
Cost (R000)	43 814	50 011	146 831
Loss (R000)	6 139	6 791	22 406
FINANCIAL RESULTS (R000)			
Working loss: Gold	6 139	6 791	22 406
Net sundry revenue	3 431	5 548	13 918
Recovery under loss of profits insurance	—	—	155
Loss before tax	2 708	1 243	8 333
Tax	—	—	—
Loss after tax	2 708	1 243	8 333
Capital expenditure			
Existing mine	160	739	1 515
No. 4 Shaft Project	15 565	[illegible] 885	38 762

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 March 1991 was R135,6 million.

DIVIDEND. No interim dividend was declared.

RATIONALISATION OF OPERATIONS. Progress has been made towards rationalising operations at the mine. Costs have been reduced in line with the reduction in mill throughput to around [illegible] 000 tons per month. However, the expected improvement in the yield has not yet been achieved. The majority of employees affected in the rationalisation programme have either accepted alternative employment or have taken early retirement.

No. 4 SHAFT COMPLEX. The shaft was sunk 122 metres to a depth of 1 062 metres below collar. The cutting of 11 and [illegible] Level Stations and the associated development was completed. The 10 Level haulage has intersected the Middelvlei Reef and the first raise is about to commence. The 24 Level haulage advanced 295 metres to [illegible] of 1 452 metres and is now 42 per cent complete. Further work in this haulage has been postponed to conserve funds.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

4 April 1991

Vlakfontein

Vlakfontein Gold Mining Company Limited
(Registration No. 05/06155/06)

ISSUED CAPITAL: 8 800 000 shares of 20 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold – Surface sources			
Ore milled:			
from surface dumps (t)	—	6 000	35 500
from outside sources (t)	—	—	—
Total milled (t)	—	6 000	35 500
Gold produced (kg)	—	32,0	105,0
Yield (g/t)	—	5,3	3,0
Price received (R/kg)	—	31 420	31 583
Revenue (R/t milled)	—	168,00	93,63
Cost (R/t milled)	—	364,67	178,02
Loss (R/t milled)	—	196,67	84,39
Revenue (R000)	—	1 008	3 324
Cost (R000)	1 355	2 188	6 320
Loss (R000)	1 355	1 180	2 996
FINANCIAL RESULTS (R000)			
Working loss: Gold	1 355	1 180	2 996
Net sundry revenue	(9)	362	603
Loss before tax	1 364	818	2 393
Tax	—	—	—
Loss after tax	1 364	818	2 393
Capital expenditure	(526)	(31)	(752)

DIVIDEND. No interim dividend was declared.

RESTORATION. Three shafts have been sealed. The balance of the restoration work largely concerns the demolition of the remaining buildings at No. 1 Shaft and the sealing of that shaft. This work is expected to be completed by the end of the June 1991 quarter.

SALE OF ASSETS. A firm offer for the company's freehold has yet to be obtained from the potential purchasers who remain interested. Sales of other assets in the form of stores and equipment continued and the results are reflected as a credit to capital expenditure.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

4 April 1991

Libanon

Libanon Gold Mining Company Limited
(Registration No. 05/08581/06)

ISSUED CAPITAL: 40 000 000 shares of 20 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold			
Ore milled (t)	435 000	435 000	1 305 000
Gold produced (kg)	2 030,5	2 062,5	6 140,2
Yield (g/t)	4,7	4,7	4,7
Price received (R/kg)	30 998	31 272	31 358
Revenue (R/t milled)	144,66	148,44	147,73
Cost (R/t milled)	147,35	139,15	142,85
Profit/(loss) (R/t milled)	(2,69)	9,29	4,88
Revenue (R000)	62 928	64 571	192 786
Cost (R000)	64 097	60 530	186 416
Profit/(loss) (R000)	(1 169)	4 041	6 370
FINANCIAL RESULTS (R000)			
Working profit/(loss): Gold	(1 169)	4 041	6 370
Net sundry revenue	1 028	1 200	3 102
Recovery under loss of profits insurance	—	—	630
Profit/(loss) before tax	(141)	5 241	10 102
Tax	526	545	1 772
Profit/(loss) after tax	(667)	4 696	8 330
Capital expenditure	2 160	2 287	6 635

TAX. The new rate of non-mining tax as announced in the budget by the Minister of Finance has been used in the tax computation.

CAPITAL EXPENDITURE. The unexpended [illegible] of authorised capital expenditure at 31 March 1991 was R61,5 million.

DIVIDEND. No interim dividend was declared.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

4 April 1991

Doornfontein

Doornfontein Gold Mining Company Limited
(Registration No. 05/24709/06)

ISSUED CAPITAL: 40 000 000 shares of 25 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold			
Ore milled:			
from underground (t)	281 068	343 952	1 015 000
from surface sources (t)	46 000	—	46 000
Total milled (t)	327 068	343 952	1 061 000
[illegible] produced (kg)	1 667,3	1 792,8	5 472,3
Yield (g/t)	5,1	5,2	5,2
Price received (R/kg)	30 680	31 449	31 301
Revenue (R/t milled)	156,27	164,17	161,62
Cost (R/t milled)	179,74	191,18	184,67
Profit/(loss) (R/t milled)	(23,47)	(27,01)	(23,05)
Revenue (R000)	51 112	56 463	171 484
Cost (R000)	58 788	65 752	195 941
Profit/(loss) (R000)	(7 676)	(9 289)	(24 457)
FINANCIAL RESULTS (R000)			
Working profit/(loss): Gold	(7 676)	(9 289)	(24 457)
Net sundry revenue	335	[illegible]	[illegible]
Recovery under loss of profits insurance	12 589	5 500	18 089
Profit/(loss) before tax	5 248	(3 236)	(4 779)
Tax	—	—	—
Profit/(loss) after tax	5 248	[illegible]	(4 779)
Capital expenditure	512	[illegible]	7 379

CAPITAL EXPENDITURE. The unexpended balance [illegible] authorised capital expenditure at 31 March 1991 was R76,4 million.

DIVIDEND. No interim dividend was declared.

PRODUCTION. The major underground fire reported on 18 December 1990 halted mining operations until 14 January 1991. A provisional payment in respect of a claim for loss of profits arising from this fire is included in the above results.

RATIONALISATION OF OPERATIONS. The fire interrupted implementation of the plan to rationalise operations. However, the level of underground operations has been reduced to around [illegible] 000 tons per month. Underground tonnage has been supplemented by material that has been reclaimed from a waste dump and screened prior to milling and treatment. Progress has been made in the rationalisation of the manpower requirements; [illegible] majority of the [illegible] employees have either accepted alternative employment or have taken early retirement.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

[illegible] April 1991

Deelkraal

Deelkraal Gold Mining Company Limited
(Registration No. 74/00160/06)

ISSUED CAPITAL: 99 540 000 shares of 20 cents each, fully paid.

	Quarter ended 31 March 1991	*Quarter ended 31 Dec. 1990*	*Nine months ended 31 March 1991*
OPERATING RESULTS			
Gold			
Ore milled (t)	405 000	395 400	1 205 400
Gold produced (kg)	2 308,3	2 248,4	6 865,4
Yield (g/t)	5,7	5,7	5,7
Price received (R/kg)	31 019	31 763	31 489
Revenue (R/t milled)	177,04	180,69	179,58
Cost (R/t milled)	148,97	145,65	146,77
Profit (R/t milled)	28,07	35,34	32,81
Revenue (R000)	71 704	71 524	216 465
Cost (R000)	60 334	57 589	176 914
Profit (R000)	11 370	13 935	39 551
FINANCIAL RESULTS (R000)			
Working profit: Gold	11 370	13 935	39 551
Net sundry revenue	2 861	3 679	9 728
Recovery under loss of profits insurance	900	—	900
Profit before tax	15 131	17 614	50 179
Tax	1 562	1 574	4 732
Profit after tax	13 569	16 040	45 447
Capital expenditure	[illegible] 061	[illegible]	55 649
Dividend	—	9 954	9 954

TAX. The new rate of non-mining tax as announced in the budget by the [illegible] of Finance has been used in the tax computation.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at [illegible] March 1991 was R282,9 million.

DIVIDEND. A dividend (No. 16) of 10 cents per share was declared on 11 December 1990, and was paid to members on 6 February 1991.

INSURANCE CLAIM. A provisional payment in respect of a claim for loss of profits arising from a fire in the previous quarter is included in the above results.

No. 3 SHAFT. The shaft was sunk 12 metres to a depth of 1 326 metres below collar. Sinking was then temporarily halted in order to contain expenditure.

No. 3 SUB-VERTICAL SHAFT. Support of the winder chambers continued and work necessary to prepare for the raise boring of the headgear section of the shaft was carried [illegible].

On behalf of the board

A. H. Munro
M. J. Tagg } *Directors*

4 April 1991

GOLD FIELDS OF SOUTH AFRICA LIMITED

Note:
Copies may be obtained from the United Kingdom Registrars:
[illegible]ays Registrars Limited,
Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU.

INTERNATIONAL CAPITAL MARKETS

Treasuries firm on rise in unemployment claims

By Patrick Harverson in [illegible] York and Sara Webb in London

US TREASURY prices firmed sharply at both ends of the market yesterday morning on news of an exceptionally large rise in the number [illegible] claiming [illegible] unemployment insurance.

By late morning, the benchmark 30-year government bond was up ⅜ at 96⅜, to yield 8.177 per cent. At the short end, the two-year note was also firmer, up ⅛ at 100⅛, to carry [illegible] of 6.936 per cent.

The market has been on tenterhooks for the past week and a half awaiting the March employment figures, which are due out today. Yesterday's data, showing jobless claims up [illegible] in the [illegible] March 23, was taken by the market [illegible] warning that monthly unemployment will record [illegible] big rise. The figures led some analysts to change their [illegible] unemployment total; the most pessimistic are now expecting the number out of work to rise by between 220,000 and 250,000, taking the unemployment rate up to near 7 per cent.

Bond prices have been firmer in recent trading days on hopes that, if the jobs figures are bad, [illegible] Reserve will put aside its worries about inflation and announce another cut in interest rates.

If the Fed [illegible] ease monetary policy in the wake of very bad employment news, it [illegible] the choice of cutting, probably by half a percentage point, either [illegible] rate, currently [illegible] per cent, or cutting the discount rate, also at 6 per cent.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	[illegible]	09/92	[illegible]	+01/32	[illegible]	[illegible]	10.77
	[illegible]	03/00	94-24	[illegible]	[illegible]	10.01	[illegible]
	9.000	[illegible]	94-15	+23/32	[illegible]	[illegible]	9.84
US TREASURY *	[illegible]	[illegible]	96-08	[illegible]	8.01	8.05	8.09
	[illegible]	[illegible]	96-12	[illegible]	8.20	8.24	[illegible]
[illegible] No 119	[illegible]	6/99	[illegible]	[illegible]	[illegible]	7.03	7.00
No 129	[illegible]	03/00	98.6791	-0.085	[illegible]	6.65	[illegible]
GERMANY	9.000	01/01	[illegible]	[illegible]	[illegible]	8.50	8.34
FRANCE STAN	9.000	02/96	99.3221	-	9.16	9.19	9.22
OAT	9.500	[illegible]	103.1300	+0.150	8.99	9.06	9.04
CANADA *	[illegible]	06/01	[illegible]	[illegible]	9.39	[illegible]	[illegible]
NETHERLANDS	8.500	03/01	99.3000	+0.310	8.61	8.73	8.62
AUSTRALIA	13.000	07/00	[illegible]	-0.062	[illegible]	[illegible]	11.51
BELGIUM	10.000	06/00	104.3500	[illegible]	[illegible]	9.14	9.04

London closing. *New York morning session
Yields: Local market standard
Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ JAPANESE government bond (JGB) prices weakened in the Tokyo market as dealers liquidated long positions and the Bank of Japan stood firm on its tight monetary policy. However, JGB prices firmed later in the London market reacting to Treasury bond price increases and a strengthening of the yen against the dollar.

A warning yesterday from Mr Yasushi Mieno, Governor of the Bank of Japan, that two years of tight monetary policy had failed to curb inflation sufficiently, served to warn the market it was not likely to see a cut in the Official Discount Rate for at least [illegible] couple of [illegible].

[illegible] market rates increased during the day in Tokyo as the Bank of Japan refrained from injecting funds [illegible] money market and short-term rates are expected to firm today in view of the Bank of Ja[illegible] tight [illegible]tary stance.

The yield on the benchmark number 129 bond opened at 6.615 per cent, moved to 6.69 [illegible] cent before closing at 6.675 per cent in Tokyo and moved to 6.645 per cent by mid-afternoon in London.

Traders were concerned about the extra supply of bonds which will be issued in the Tokyo market shortly. About Y180bn of utility bonds are expected in the market [illegible], coming [illegible] on the heels [illegible] monthly JGBbond auction which took placelast Tuesday when [illegible] 10-year bonds was [illegible].

■ UK government bonds firmed yesterday as the gilt market followed US Treasuries.

[illegible] 11% [illegible] maturing in 2003/07, rose by ⅞ of [illegible] point to 112¹⁄₃₂ to yield 9.98 per cent. Gilt-edged securities [illegible] the US market, encouraged by the US jobless figures, and traders said there was good buying in the futures market.

Traders said that domestic buyers have moved out of the longer end of the market into shorter-dated gilts, such as the 1994 and 1995, in recent days as the long end of the market has become relatively more expen[illegible].

■ THE French Treasury sold FFr6.95bn of government bonds yesterday in an auction, with investors showing strong interest in two new issues.

The Treasury sold FFr4.65bn of the 9.5 per cent 2001 bond, though demand for the new 10-year bond was FFr9.45bn. The average price was 102.9 and the yield was 9.03 per cent, compared with 8.99 per cent in the March auction.

Demand for the 2012 bond was FFr4.6bn, and the Trea[illegible] FFr2.3bn at the average price of 94.15, with a yield of 9.12 per cent, compared with 9.25 per cent at last month's auction. Domestic investors [illegible] most of the buying.

The French Treasury said it will offer FFr11bn of bills at its next weekly tender on April [illegible]. The offering will comprise FFr4bn of six-week bills and FFr7bn of 13-week bills.

■ GERMAN bund prices were pulled up yesterday by the announcement of the increase in US unemployment which fuelled hopes of an impending interest rate cut by the Fed.

The benchmark 9 [illegible] bund, maturing in 2001 moved up from 103.4 at the midday fixing to 103.85 by late afternoon, and yields moved from 8.45 per cent to 8.38 per cent.

Treasury market gains brought about fresh buying in bund futures, leading [illegible] an increase in prices, traders said. Despite much speculation in the market in recent days that [illegible] Bundesbank would be forced to raise interest rates to support the D-Mark, the Bundesbank left rates unchanged at its council meeting [illegible].

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices [illegible] 8:10 pm on April 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101½	102		8.00	BAYERISCHE VEREINS INT 7 3/4 LFr	600	[illegible]	[illegible]		9.65
ALBERTA PROVINCE 9 3/8 95	600	103¾	104¼	+⅛	8.33	KREDIETCORP 7 93 LFr	1000	[illegible]	95⅝		9.70
AUSTRIA 8 1/2 00	400	99	99½	+⅛	8.66	WORLD BANK 8 96 LFr	1000	[illegible]	97		9.02
BANK OF TOKYO 8 3/8 96	100	98⅞	99⅜	+⅛	8.66	ALBERTA PROVINCE 10 92 C$	500	100	100⅜		9.92
BELGIUM 9 1/8 92	400	102⅞	102⅞	+⅛	7.47	BCE INC 9 5/8 93 C$	300	99⅞	99⅞	+⅛	10.10
BFCE 7 3/4 97	150	97⅞	98⅛	+⅛	8.27	BELL CANADA 10 5/8 99 C$	150	101⅞	101⅞	+⅛	10.40
BNP 8 5/8 94	300	101⅞	[illegible]		7.99	BRITISH COLUMBIA 9 1/4 93 C$	150	99⅞	[illegible]	+⅛	9.48
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: [illegible]
CONVERTIBLE BONDS: [illegible]

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Frankfurt launches electronic system

By Katharine Campbell in Frankfurt

THE Frankfurt Stock Exchange today takes [illegible] further tentative step towards computerisation with the launch of an electronic trading system to run in parallel with the physical trading floor. This will replace the failed price information network "Ibis".

Using Ibis II banks and brokers will be able use the screen to trade blue chip shares that make up the DAX 30 (in lots of 500 or more) as well as some 28 of the most actively traded government bonds.

Reform of the antiquated and regional German stock exchanges has been fraught with technical and political problems and Ibis II, whose technical deficiencies are widely acknowledged, far from pleases all parties.

The original Ibis, conceived by seven leading banks as an interbank system, left out the jobbers, causing uproar from that quarter. It was also greeted with grave suspicion by many of the regional exchanges, who correctly interpreted it as a ploy to accumulate power in Frankfurt and unify the country's bourses. Turnover since its launch in December 1989 has been minimal, not [illegible] because participants found many banks unwilling to deal at the prices shown on the screen. At the same time, two additional competing systems emerged; Matis, in association with the Kursmakler (official brokers) and Midas, supported by the so-called Freimakler (free, or unofficial brokers).

Ibis II, [illegible] which the "I" stands for "integrated" in place of "interbank", remains the child of the banks, but it is now woven into the newly-pri[illegible] Frankfurt Stock Exchange. It has been modified to give token recognition [illegible] the official brokers, who play a central, and lucrative, role on the traditional floor.

While prices on Ibis II can be dealt "net" – [illegible] banks direct without the intervention of the Makler and without that commission, the Frankfurt-based Kursmakler are allowed [illegible] charge their commission of 0.06 per cent on trades they make. Ibis II begins today with 280 terminals, "a significant number" of which are outside Frankfurt, an exch[illegible] official said.

One [illegible] advantage is in the extension of trading hours – Ibis II is to function between 8.30 and 17.00. Germany's eight regional exchanges still only open [illegible] three hours [illegible] day. Also, prices are firm and execution is at the push of a button instead of over the telephone.

Technically, however, the system, which has proved very expensive, is far from complete – response times in Frankfurt are around a tenth [illegible] second, but as much [illegible] full second in other parts of the country. In belated recognition [illegible] weaknesses on the electronic side at the exchange a fourth board member has been recruited with computer skills from outside the financial sector.

US domestic corporate new issues leap 20.9%

By Sara Webb

CORPORATE new issues in the US soared in the first quarter, despite the Gulf war and the recession, according to IDD Information Services.

US domestic corporate new issue volume jumped 20.9 per cent to $97.3bn in the quarter, due to a surge in debt financings.

Equity issues, however, suffered during the three months because of the general air of uncertainty arising from the war in the Middle East and the recession in the US. Altogether, equity [illegible]ues were unchanged at $8.4bn, but initial public offerings fell by 37.2 per cent in volume to $2.7bn and common share issues declined 5.6 per cent to $6.7bn. With the end of the Gulf war and the upswing in the market, analysts expect equity new issues to recover.

Falling interest [illegible] have encouraged the use of debt financings this year, particularly of investment grade corporate bonds which now account for 41.1 per cent of the total new issues market.

Total underwriting fees increased by 4 per cent to $623m in the quarter, against $599m in 1990. Merrill Lynch again topped the league table [illegible] managers of underwritten offerings with $21.4bn in domestic new issue financings. Goldman Sachs ranked second with $12.14bn and First Boston moved up from seventh to third place.

INTERNATIONAL CAPITAL MARKETS

Investors discover fresh appetite for sterling bonds

By Tracy Corrigan

RETURNING appetite for sterling bonds among continental European investors prompted two retail-targeted offerings in the sterling sector of the Eurobond market yesterday.

Dealers said there had been a shift of interest towards sterling bonds as a result of a change in investors' perception of currency risk: the D-Mark [illegible] no longer perceived as posing a threat to sterling, but rather is in[illegible]ly seen to be in a relatively weak position itself. Consequently, the sterling bond market appears an attractive high-yielding alternative to the D-Mark sector for European retail investors, most notably in Switzerland.

Fiat Finance & Trade launched a £125m offering of three-year zero-coupon bonds, the first zero-coupon deal to be launched at the short end of the sterling bond market.

The zero-coupon structure allows investors to obtain a maximum benefit from an expected fall in interest rates over the life of the bonds, since there is no coupon to reinvest.

General Electric Capital Corporation launched a £75m, six-year [illegible], priced [illegible] yield 50 basis points over the 10¼ per cent gilt [illegible] 1997. Because of the retail-driven nature of the deal, a [illegible] price structure was used, rather than a fixed-price re-offer technique.

Swiss, German and Benelux investors were the main participants in both deals. Although spreads of corporate bonds have tightened substantially over the last month or so, the yield spreads for both issues were quite tight, dealers said. However, retail investors tend to focus on coupon [illegible] rather than spread.

In the D-Mark sector, four Japanese companies launched equity-linked offerings totalling DM600m. Among the issues, a DM200m deal for Minolta Camera was bid at 102¼, a 2¼ point premium to its par issue price.

In the Swiss market, Phillip Morris launched a SFr250m seven-year deal via Credit Suisse, and Eurofima launched a SFr200m 12-year [illegible] lead managed by Union Bank of Switzerland. The Eurofima deal traded around its 100% issue price.

INTERNATIONAL BONDS

NEW INTERNATIONAL [illegible]

Borrower	Amount m.	Coupon %	[illegible]	Maturity	Fees	Book runner
US DOLLARS						
Mitsubishi Tst Asia Ltd(g)‡	150	(g)	101⅞%	2001	[illegible]	Salomon Brothers Int.
Korea Int'Merchant Bk(h)‡	50	(h)	[illegible]	[illegible]	0.375/20bp	Commerz Bank AG.
STERLING						
Fiat Fin & Trade(a)†	125	0	73.7%	1994	1/0.90	Barclays de Zoete Wedd
Gen Elec Cap Corp.(a)†	75	10¼%	101.20%	1997	1⅞/1¼	Hambros Bank
SWISS FRANCS						
Phillip Morris Co.(a)†	250	6⅞%	101¼%	1998	-	Credit Suisse
Eurofima(b)†	200	[illegible]	100⅛%	2003	-	UBS
ECU's						
C'Suisse Fin(Guernsey)(a)†	200	9%	101⅛%	1994	1⅞/1.27½	Cred' Suisse Fst [illegible]
D-MARKS						
Minolta Camera(c)♦	200	6¾%	[illegible]	1995	2¼/⅞	Westdeusch Lndbk.
Kubota Corp.(d)♦	200	4%	100.0%	1995	2¼/75bp	Yamaichi Deutschland
Nisshin Steel(e)♦	100	4%	100.0%	1996	2¼/75bp	Nikko Bk(Deutsch)
Tosho Printing Co.(f)♦	100	4%	100.0%	1996	2¼/75bp	Nikko Bk(Deutsch)
YEN						
Nissan Cap'ol America(l)†	10bn	(l)	101.55%	[illegible]	1⅞/1¼	Yamaichi Int.Europe
FRENCH FRANCS						
Societe Generale(j)†	600	9¼%	[illegible]	1999	35/20bp	Societe Generale

★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable after 10 years at par. c) Final terms to be set 10/4/91. d) Final terms to be set 11/4/91. e) Final terms to be set 11/4/91. f) Final terms to be [illegible]. g) Pays six month Libor + 45bp for 3 years after [illegible] the deal is callable at par. If not called notes will pay a [illegible] coupon. h) Paying interest at 40bp over the 6 month [illegible] and the notes carry a put option at par in case foreign investment in the bank falls below 30%. l) Paying 8.5% coupon until 16/7/1992 after which the rate will be 6.6%. j) Investors can take coupon payment in the form of new bonds.

The quest for a capital adequacy directive

Richard Waters on attempts to iron out competitive distortions between securities firms

ATTEMPTS to devise a common international approach to capital adequacy for securi[illegible] firms are in a mess.

The moves were intended to echo the capital adequacy rules for [illegible] developed by the Bank for International Settlement, the international grouping of central bankers in Basle. They are needed to iron out competitive distortions between securities firms operating in different centres and to guard against the sort of chain reaction that could occur if a large firm defaulted, bringing others down with it.

[illegible] after being kicked around between different international forums like an unwanted football, the idea seems to have been booted out [illegible] play.

It now looks as though the only initiative to move forward will be one devised by the European Commission – and even that is subject to the out[illegible] [illegible] political wrangling [illegible] the parallel Investment Services Directive.

At the root of the problem has been the need to find a way of assessing capital adequacy suited both [illegible] banks which carry [illegible] business and to non-bank securities companies.

The system also needs to find favour with banking and securities regulators, which have a different way of regarding their charges ([illegible]anking supervisors focus on credit risks, while securities supervisors are concerned mainly with the market [illegible] inherent in portfolios of securities). This agreement now looks as far away as ever.

The intention had been to reach agreement in three forums:

■ The European Commission. Its Capital Adequacy Directive is planned as a complement to the Investment Services Directive, due to come into force at the start of 1993. There is general agreement on the CAD, following a [illegible] period a [illegible] ago when the directive swung between the opposite poles of a bank-led and securities-led approach to capital adequacy – prompting a high-level row between member states.

The EC's solution was to pick a securities-led approach, and to allow banks to [illegible] out [illegible] trading books and apply a similar method to that used by securi[illegible] companies. The EC, though, does not want to move alone: its directive applies only [illegible] non-bank securities firms in Europe. It has been waiting for agreement in two other forums before proceeding.

■ [illegible] sub-committee [illegible] the [illegible] for International Settlements. This has been studying the position risks of banks involved in the securities busi[illegible]. Its preference: to adopt what is known as the "building block" approach to assessing the risk inherent [illegible] securities holding. This involves breaking the risk down into two components: the credit risk and the [illegible] risk. Securities regulators in the main financial centres do not use this method and so would need to change their approach.

■ The International Organisation for Securities Commissions (Iosco), a forum for securities regulators and [illegible] associations. Iosco indicated [illegible] agreement in principle to the Basle plan as long ago as last autumn. Meeting again in Hong [illegible] month, though, things did not go as smoothly. Far from rubber stamping the BIS plan, as expected, the Iosco technical committee stalled the scheme by asking for more time to consider the implications. Suddenly, the entire tri-partite operation came to a juddering halt.

What went wrong? In Hong Kong it was Mr Richard Breeden, the Securities and Exchange Commission chairman and head of the US delegation, who questioned whether the building block method was really needed.

It is not [illegible] why, but according to one observer close to the discussions, the SEC is not keen to promote a change which may be interpreted within the US as relaxing the regulations on securities firms.

What[illegible] the motive, Mr Breeden[illegible] scepticism won the support [illegible] Japan's [illegible] regulators, who [illegible] their own capital adequacy rules only a year ago and are not happy with the prospect of overhauling them so soon.

Richard Breeden: questioned the building block method

Iosco will not reconsider [illegible] plan until September, derailing the whole scheduled process and prompting serious concern [illegible] will to proceed at all.

This has thrown regulators into turmoil. How can the BIS and EC proceed with an issue central to [illegible] regulation [illegible] securities markets if the main international grouping of secu[illegible] regulators has failed [illegible] come to any conclusion?

The BIS is likely to stall its own plans. The EC, though, cannot. If its Investment Ser[illegible] Directive comes into force in 1993, as planned, then [illegible] firms located in the Community will have a "single passport" to [illegible] in all member [illegible]. That can only work if there are also common prudential rules in force at the time.

Brussels is expected to adopt the building block approach in its directive. Provided it can reach agreement betwe[illegible] member-states, which will [illegible] no easy task, and provided EC firms are not disadvantaged in [illegible] to US or Japanese firms, then the commission is likely to proceed.

That leaves two uncomfortable questions, neither of which would have arisen if Iosco and the BIS had been able to reach agreement.

The first is, will Brussels sacrifice principles already established in its capital adequacy directive as part of the horse-trading needed [illegible] find agreement on the investment [illegible] directive? Had there been a common international approach on capital, then there would have been little room left for manoeuvre in Brussels. Now, the outcome is subject to what is likely to be some hard, last-minute bargaining between politicians.

The [illegible] question [illegible] whether the lack [illegible] approach will tilt the competitive balance in the securities business. Already, [illegible] firms say, decisions on where to book particular trades [illegible] determined in part by the capital regimes applied in different centres.

The regulators appear not yet [illegible] have calculated [illegible] effect of their failure to agree a common st[illegible]. But when [illegible] companies themselves count the cost, they are likely to make quite a noise about it.

ACT urges tighter internal controls

By Tracy Corrigan

THE Association of Corporate Treasurers (ACT) is warning its members to check that adequate controls of their treasury operations are observed, following the £150m [illegible] loss incurred by Allied-Lyons, the UK foods company, in the foreign exchange market last month.

The association's decision to [illegible] its guidelines was prompted by concern among its members that [illegible] Allied-Lyons losses might be repeated, according to Mr Gerald Leahy, the ACT's director-general.

Tighter internal controls, regular audits and full disclosure of risk management strategies would guard against such losses, the association advises in its monthly magazine, The Treasurer, due to be published next week.

The association recommends random audits conducted by both internal and external auditors. Further, the ACT calls for better training in treasury management for auditors, many of whom "lack the skills to evaluate increasingly complex treasury transactions." The ACT also suggests full disclosure of treasury strategies to shareholders could be provided in compa[illegible] annual report and [illegible].

The association plans to put together new guidelines for measuring treasury performance, which should overcome difficulties in assessing the success of hedging strategies, making it easier to report treasury performance.

The failure of some company boards to [illegible] the financial risks which face their [illegible] and the systems for managing risk should also be addressed.

The original ACT guidelines were first introduced last year.

Liffe posts record volume

By Deborah Hargreaves

THE LONDON [illegible] Financial Futures Exchange ([illegible]) saw a dip in its [illegible]tives business in March but posted a record volume level for the first quarter of the year. Volume broke through 10m contracts for the first three months of the year, beating a record set in the same period last year.

Liffe's volume was higher than that of its main rival, Matif, the French futures exchange, in the first quarter when that exchange's business rose by 40 per cent over the same period last year to 9.5m lots.

[illegible] volume in [illegible] slipped to 3.2m contracts from 3.7m lots in February. But the exchange remains the busiest derivatives market in Europe since the Matif's volume was 2.8m lots in the same period.

However, London's grip [illegible] the German government bond futures market could weaken with the growth of Frankfurt's rival product on the Deutsche Terminbörse where volume increased from 64,924 lots in January to 113,803 contracts last [illegible]. Liffe's Bund futures business dropped from over 1m contracts in February to 908,556 lots in March.

CBOT, CME appoint Globex directors

THE Chicago Board of Trade and the Chicago Mercantile Exchange announced yesterday a [illegible] board of directors and a managing director for Globex, the automated after-hours trading system developed with Reuters, the UK communications group, writes Barbara Durr.

The announcement came a week after the membership of both [illegible] overwhelmingly voted in favour of a joint [illegible] for Globex.

Mr Leo Melamed, chairman of the new [illegible] board, said Mr Gary Ginter would be managing director. Mr Ginter, a founding partner of the prominent options trading company Chicago Research & Trading Group, is considered one of the brightest stars in the derivatives business. The rest of the board is drawn from the leadership of the two exchanges, including the chairmen and presidents, and Mr David Vogel, chairman of the Futures Industry Association, which represents futures commission merchants.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Thursday April 4 1991

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

[illegible]

RIGHTS OFFERS

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	0	15
Corporations, Dominion and Foreign Bonds	5	[illegible]	15
Industrials	375	[illegible]	885
Financial and Properties	151	119	[illegible]
Oils	[illegible]	25	46
Plantations	[illegible]	[illegible]	[illegible]
Mines	12	16	104
Others	69	47	46
Totals	723	492	1,606

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTIONS

- First Dealings March 18
- Last Dealings April 5
- Last Declarations June 27
- For settlement July 8

For rate indications see end of London Share Service

Calls in ADT, Budgens, Business Technology, Cargo Control, Control Secs., Dares Ests., Erskine House, Eurotunnel units, Explaura, Premier Cons., Rockware, Saatchi & Saatchi, Tusker Res., Wembley and SW Wood. Puts and calls in Buckingham Intl., London France & Inv. and McCarthy & Stone.

UK COMPANY NEWS

Shares rise 23p though it's 'unlikely' dividends will be paid until 1993

WPP completes $1bn refinancing package

By Alice Rawsthorn

WPP GROUP, the world's largest marketing services company, yesterday saw its shares leap by 23p to 189p [illegible] the *completion* [illegible] *its $1bn* (£565m) financial restructuring package.

The group, which needed to restructure its finances to avoid breaching its banking *arrangements, has agreed to* pay a "success fee" of up to £10m to its banks. It may also face further fees of up to £10m and higher lending margins on its debt.

WPP also announced it would be unable to pay the dividend on its convertible preference shares due at the end of this month.

It cannot pay ordinary dividends until it has cleared the preference arrears and said yesterday that it was "unlikely" to pay any divi*dends until June 1993.*

The completion of WPP's restructuring comes a week after Saatchi & Saatchi, its chief competitor in the marketing services industry, secured *shareholders' approval for its* financial rescue package.

WPP, which owns the Ogilvy & Mather and J Walter Thompson advertising agencies, has been struggling to service the debt amassed by the acquisition of O&M in 1989. The group grew at a dramatic pace after Mr Martin Sorrell, Saatchi's former finance director and now WPP's chief executive, invested in Wire [illegible] Plastic Products, then a shell [illegible] pany, in 1985.

Late last [illegible], WPP, advised *by Samuel Montagu, began* negotiations with its [illegible] banks, led by [illegible] steering committee chaired by JP Morgan, [illegible] the restructuring.

Under the terms of the *restructuring it will consoli*date $270m of working capital facilities, a $604m medium-term loan and $100m of uncommitted facilities into a committed medium-term facility. The $604m loan must be repaid over four years from June 1993. The rest of the facility is to be repaid or refinanced by June 1993.

The facility allows WPP to make its deferred payments on acquisitions in cash, rather than shares, thereby avoiding dilution of its earnings. If WPP [illegible] *this option it may* have to pay [illegible] of up to £4m.

WPP said yesterday that its results for January [illegible] February were "below budget" mainly [illegible] of the uncertainty caused by the Gulf war. It said the improvement in confidence since the ceasefire has [illegible] shown no [illegible] of increasing clients' expenditure particularly in advertising and public relations.

[illegible] O&M's agency in New York has won [illegible] $20m new account for Nynex, the New York telecommunications company.

See Lex

Margins under pressure as Brammer falls 9%

By David Owen

REFLECTING A *difficult* second half, Brammer, [illegible] Cheshire-based industrial [illegible] vices group, yesterday reported a 9 per cent decline to £11.45m in annual profits.

[illegible] *managed* [illegible] maintain [illegible] margins [illegible] the predominant distribution unit but not in electronic equipment rental where [illegible] were [illegible] UK and Italy.

"We had successively reducing quarters in 1990," said Mr Hugh Lang, chairman, stating that turnover had actually declined slightly in the second half.

Over the full year to December 31, sales edged ahead from £121.13m to £122.45m. Year-earlier profits had weighed in at [illegible].

The company, which [illegible] widely regarded [illegible] a [illegible] vane of industrial activity, said that first quarter trading had been difficult and that "these conditions have continued into the next three month period."

"Our results for 1991 [illegible] entirely dependent [illegible] when *the upturn comes,*" *Mr Lang* said.

The company, which is ungeared and was helped by [illegible] receivable of £494,000, took [illegible] exceptional [illegible] respect [illegible] about 100 redundancies, mainly in the [illegible].

According [illegible] Mr [illegible] Ffoulkes-Jones, [illegible] tive, this represented "the pruning [illegible] to relate the cost structure to reduced growth expectations." A year earlier, an exceptional charge of £994,000 was recorded.

At the extraordinary level a charge of £291,000 (£1.02m) was taken. This consisted of proceeds from a disposal more than [illegible] by the [illegible] closing a subsidiary.

[illegible] division, distribution generated profits of [illegible] (£10.61m) on turnover of £99.75m (£97.9m), while equipment rental [illegible] in with [illegible] on [illegible] £22.32m (£22.55m).

There was a £176,000 loss in the latest period from discontinued businesses.

Mr Ffoulkes-Jones attributed Brammer's Italian rental difficulties to "the problems of getting into a new country".

The group has responded by effecting management changes and making additional depreci[illegible] provisions [illegible] inventory.

An unchanged final dividend of 8.5p is recommended, maintaining the total at 13p. Earnings per share slipped from 19.7p to 17.5p.

Brammer shares, which have rallied strongly since February, gained [illegible] yesterday to close at 225p.

■ COMMENT

Mr Lang says that [illegible] tile 1985 bid for the company is still engrained "like Calais" on *everyone's heart and, in some* respects, it appears that Brammer has still not got over its hangover from that episode. Pre-tax profits are now at their lowest level since 1984; and the yield on the shares still looks attractive even though the annual dividend payment has been lifted by only 0.5p in five years. That said, the company – with its rock-solid balance-sheet – seems well set finally to progress in 1992. On that basis, a case could be made for buying the shares, even after their recent rally. For those with a shorter time-frame in mind, anticipated 1991 profits of £11m make the p/e of more than 14 look distinctly pricey.

Misquote claim by Amex over Thos Cook

By David Barchard

AMERICAN Express yesterday refused to confirm reports that it has put a feeler out to Midland Bank to see if it is willing to sell Thomas Cook, its travel agent subsidiary, but said that it was monitoring possible opportunities in the global travel [illegible] industry.

Reports that American Express [illegible] interested in buying Cook from Midland have [illegible] circulating for some [illegible].

However, American Express' US headquarters said yesterday that Mr Charles Petrucelli, president of American Express France, had been misquoted in agency reports which claimed that a direct approach had been made to Midland Bank for Cook.

Midland has not formally placed Cook on the market but it has indicated that it would not necessarily refuse a good offer for the agency.

Thomas Cook is regarded, along with Samuel Montagu, as the strongest of Midland's remaining subsidiaries. A sale could raise between £180m and £200m, according to banking analysts, to boost Midland's flagging capital ratios.

In 1990 Cook made pre-tax profits of £28m. The company has a turnover of over £370m and operates through 384 shops in the UK and a total of 1,500 outlets throughout Europe. It specialises in leisure and business travel, travellers' cheques and foreign exchange.

Last night both Midland and American Express refused to say whether or not they were discussing a possible deal.

"We have not put Thomas Cook on the market, though we do constantly get expressions of interest in it. We give them due attention", Midland said.

Tilbury declines 27% to £20m as property profits tumble

By Jane Fuller

TILBURY GROUP, [illegible] construction and property concern 44 per cent owned by German organisations, saw pre-tax profit fall by just over 27 per cent to £20m in 1990.

The decline from last year's £27.5m was inflicted by a £9.7m drop to £7.4m in property profit. Construction, on the other hand, improved its operating figure to £10.1m (£8.6m) with the help of Clough Smith, an [illegible] engineering business bought for [illegible] April.

In spite of that acquisition, turnover fell 15 per cent to [illegible] (£231.2m) with both construction and property showing [illegible] decline.

Property slid from £67.5m to £44.9m. Mr Michael Bottjer, managing director, said the number of houses sold fell from 675 to 500. Profits from Scotland, where more than 80 per cent of the homes were, had improved as the average price grew to £56,000 (£46,000): but the English side was depressed.

In development, there had been nothing to match the £5m profit made in 1989 on selling a small part of the Phoenix site at Linwood, near Glasgow Airport. The 335-acre former Peugeot Talbot complex would be developed over the next six years.

Spain was the other big area of investment, with £4.7m spent last year. One of the partners in an industrial project near Madrid was Phillip Holzmann, [illegible] construction group [illegible] owns [illegible] per [illegible] of Tilbury.

Michael Bottjer: profits from Scotland improved

Construction, which included Clough, benefited from work for [illegible] and electricity industries. Among the weaker [illegible] piling [illegible] interior contracting.

Mr Stuart Lee, finance director, said net cash fell to £2.5m (£11m) and gearing could rise to 35 per cent this year because of investment at Linwood and in [illegible]. Shareholders' funds stood at £47.9m in December.

Earnings per share declined by nearly [illegible] per [illegible] 70p (91.9p). A final dividend of 22.5p makes a total [illegible] 33p (32p).

Mr Bottjer, who earned [illegible] in [illegible] – more than 85 per cent of it as a profit-related bonus – said he and other executive directors had seen their pay reduced substantially last year.

■ COMMENT

Tilbury had the distinction [illegible] being the one construction company [illegible] announce figures yesterday without [illegible] rights issue, [illegible] pointer [illegible] the strength of its balance sheet. This year the group faces a turnround on interest, which earned £2.6m last year; but the contracting businesses may [illegible] this through the [illegible] on water, heavy electrical and oil and [illegible] pipe work. On the [illegible] though, it [illegible] hard year, especially as Scotland only levelled off in the [illegible] half. At Linwood and in Spain, it will be a year of spending [illegible] than reaping. A [illegible] pre-tax profit [illegible] prospective p/e [illegible] 10.6 on [illegible] terday's [illegible] of 723p. The price has only recently risen sufficiently to give the group a higher market value than the £137m bid by Lilley in 1989. Lilley lost money on selling its stake for 550p per *share last* November. After a strong performance, Tilbury's price may not forge ahead, but it remains a quality stock.

Diversity helps TT Grp advance 25% to £10.5m

By Steven Watkins

TT GROUP, the packaging and industrial products holding [illegible] pre-tax profits by almost 25 per cent from £8.42m to £10.49m in 1990. Its shares closed 11p higher at 131p.

Turnover rose by 65 per cent to £100.31m. On earnings [illegible] share of 14p (12.3p), a final divi[illegible] 3p [illegible] the total from 4p to 5p.

Mr Nicholas Shipp, a director, said the performance was strong despite the deteriorating economic climate. This was due to TT's diverse range of [illegible], usually in niche market positions, and its early action to bring capacity into line with forward orders.

TT has a policy of taking strategic investments in public [illegible] it feels are underperforming. Significant invest[illegible] during [illegible] included [illegible] acquisition [illegible] Crystalate Holdings, the electronic components company, in September and [illegible] 3 per [illegible] shareholding taken [illegible] summer in CH Industrials, [illegible] holding [illegible].

CHI, however, was put into administration in February. The £1.23m cost of TT's stake has been written off as an extraordinary charge.

Mr Shipp said gearing ended the year at 40 per cent. Borrowings increased to £20m as a result of financing the Crystalate acquisition. The increase in debt, in the form of medium-term loans, was limited by a preference share issue in November and will be further [illegible] by [illegible] from profits or possible disposals, Mr Shipp said.

Elys (Wimbledon) improves 29%

Elys (Wimbledon), [illegible] department store retailer, lifted pre-tax profits in the year to February 2 by 29 per cent to £1.12m against £867,000 for the previous 53 weeks. Turnover rose by 6 per cent from £11.68m to £12.42m.

A final dividend [illegible] (13.5p) is proposed for a 16p (14.5p) total. Earnings improved from 46.9p to 62.3p after tax of £369,000 (£304,000).

T&S Stores leaps 82% to more than £12m

By Roland Rudd

T&S Stores, [illegible] retailer of tobacco, [illegible] cards, [illegible] and confectionery, lifted pre-tax profits for [illegible] from [illegible] £12.1m.

The [illegible] per cent jump [illegible] achieved on [illegible] 44 per [illegible] rise in turnover to £283.1m (£197.1m) and enabled the board to increase the total dividend by 1p to 5p via a proposed final of 3p.

Mr Kevin Threlfall, chairman, said the result both "vindicated and justified" the company's decision to acquire Dillons, a chain [illegible] neighbourhood [illegible], with [illegible] raised from a 1989 rights issue.

He said: "We have successfully expanded the company by turning small newsagents into all-servicing confectionery, tobacco and video shops."

Last month it completed the *purchase of 22 Convenience* Stores from the Johnsons News Group, which it plans to build on by adding another 24 stores to its total of 270 CCN stores by the end of the year.

Mr Threlfall said he was [illegible] improving the product range [illegible] recently doubling warehouse capacity to [illegible] sq ft.

The company's net cash balance was [illegible]. Earnings per [illegible] increased by 30 per cent to [illegible] (10.5p).

£68m disposals at Dares Estates to cut borrowings

By Vanessa Houlder, Property Correspondent

Dares Estates, the troubled developer, yesterday announced property disposals amounting to £67.7m.

It warned, however, that the proceeds were [illegible] than the book value of [illegible] properties and [illegible] would contribute [illegible] substantial [illegible] in the 1990 [illegible].

It [illegible] in negotiations [illegible] banks [illegible] these [illegible], together with other provisions, have breached [illegible]. "Having regard to [illegible] *substantial* reduction in borrowings [illegible] will be achieved through these [illegible] and indications from the banks concerned, the [illegible] is optimistic the negotiations will be successful," it said.

Mr Brian Tomlinson, managing director, said that the sales, [illegible] an [illegible] yield of slightly less than 10 per cent, were the result of "a totally *realistic view of the market*". "The overwhelming urgency was to reduce borrowings," he said.

Following [illegible] announcement, [illegible] share price fell from [illegible] to 7¾p. [illegible] broker [illegible] that [illegible] was disappointed by [illegible] conditional nature of some [illegible] the [illegible].

French waste paper deal for Smurfit

Jefferson Smurfit [illegible] reinforced its activities in the recycling of waste paper with the acquisition [illegible] de [illegible] Industriels group.

CDI [illegible] the [illegible] largest [illegible] paper company in France and handles more than 400,000 tonnes per annum, of which 25 per cent is exported.

Smurfit said the consideration was not material in the context of the group.

Business failures leave Co-op in loss

By Richard Waters

CO-OP BANK plunged [illegible] £14.9m pre-tax [illegible] last year, due mainly to provisions resulting from [illegible] large [illegible] that [illegible] the financial year end.

The bank, which made a pre-tax profit of £18.5m in 1989, reported provisions of £57.2m for [illegible], up from £28m the year before.

Some £16m of this was reported a post balance sheet event, reflecting the worsening state of its loan book since its financial year [illegible] on 12 January.

"A substantial part" of the £16m related to two corporate failures, said Mr Terry Thomas, managing director – Pavilion Leisure, a property and hotels group, and Citygrove, a developer of retail parks.

Leaving aside these post balance sheet items, the increase in provisions for 1990 was lower than that reported by other clearing banks, said Mr Thomas.

After all provisions are taken into account, the bank reported a risk-asset ratio of 11.5 per cent, compared with just under 12 per cent last year.

Co-op's profits were further dented by the £13m it paid in interest to holders of interest-bearing current accounts.

Recent restructuring and cost-cutting, which will continue this year, will make the bank more profitable, said Mr Thomas.

The bank expects to cut up to 700 jobs, some of them part-time, from its current workforce of 4,437. It cut around 300 last year. This is intended to improve the bank's cost/income ratio, which at 77 per cent is around the same level as that of Midland Bank.

The bank said it would not pay a dividend for 1990, making [illegible].

Irish tempt bull market with sweet offer

Kieran Cooke on the upcoming partial flotation of Irish Sugar

THE bulls are out on the Dublin stock market, heads down and ready for the first big privatisation of an Irish [illegible].

The Irish Sugar Company, to be renamed Greencore, [illegible] the share pricing and listings particulars next week, with dealings due to begin on both the Dublin and London exchanges before the end of the month.

By international standards, the sale is not a big one: the [illegible] is only [illegible] 55 per cent of its stake.

There is much speculation [illegible] price, but some analysts [illegible] it is likely that in excess of I£100m (£90m) will be raised from the partial flotation, putting a total value on the group of about I£200m.

The government and company are confident of success. There has been no UK-style publicity campaign to encourage private investors. The Dublin stock market has recently bounced back and there seems to be plenty of funds available.

The Irish government has no Thatcherite ideological commitment to public ownership. But a programme of what are termed "pragmatic privatisations" is envisaged.

[illegible] this year the Irish Life insurance group is due to be fully or partially floated, possibly raising as much as I£300m. At some later stage Bord Telecom, the Irish telephone service, could be a privatised.

In many ways Irish Sugar is an ideal first candidate. Last year the company made pre-tax profits of I£21m on turnover of I£271m. Its sugar operations are acknowledged to be among the most efficient in the European Community, while diversification into [illegible] and agri-trading shows signs of producing solid results.

Commercial success has come only recently. A state concern since the early 1930s, Irish Sugar was used by successive governments as a vehicle for developing the native food industry. But high labour costs plus production inefficiencies led to a financial crisis. Between 1980 and 1985 the company lost I£53m and was effectively broke. It was only saved by an additional I£69m cash injection.

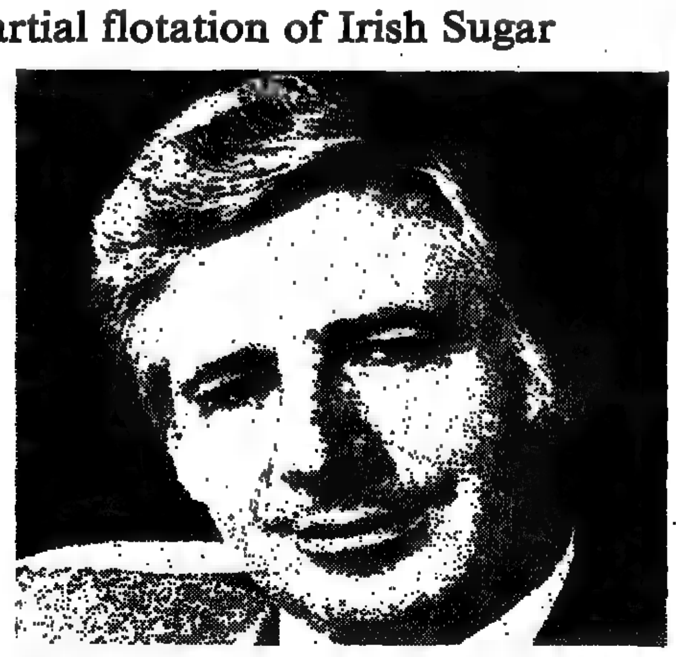
In 1985 the government gave a new management the mandate to carry out a tough cost-cutting exercise. A [illegible] put [illegible] loss-making [illegible] inefficient plants were closed. The workforce was reduced from [illegible] to today's 1,700. Meanwhile more than I£40m was invested in new plant.

The turnround has been impressive. Operating profits have doubled from I£12.5m in 1986 to I£25.8m last year. Turnover has increased by nearly I£90m. Over the same period net debt has been reduced from I£52.7m to I£31.7m. Returning the company to financial health has not been an [illegible] task, particularly in relation to large-scale job losses.

Irish Sugar has also had to fend off takeover moves, in one instance from companies controlled by Mr Larry Goodman, the Irish meat trader now fighting for survival after revealing debts of more than I£500m.

About 10 per cent of the shares are likely to be taken up by employees and 6,000 beet growers. The government will keep its shares for at least two years and has retained a Golden Share to stop the sale of any of the main assets.

The company has been made virtually takeover proof by restrictions which stop any corporate investor holding more than 15 per cent of the equity.



Chris Comerford: expansion sought through acquisition overseas. Expertise could be put to use in Spain or Greece

Mr Chris Comerford, group chief executive, says that in spite of the limitations imposed on the flotation there has been plenty of interest.

"We are looked on as a [illegible] efficient enterprise. People are interested, not just in Ireland but also in the UK and on the Continent, particularly in Germany," he says.

There are limitations on any big expansion in the company's sugar operations. Output – currently 200,000 tonnes per year – is controlled by the EC quota regime.

The company has a virtual monopoly in the domestic sugar market and while the sugar division is likely to continue [illegible] substantial profits, its sales will probably drop to about 40 per cent of group turnover this year.

Mr Comerford sees expansion either through acquisition overseas, possibly in Spain or Greece where Irish Sugar could put its expertise to use, or through the growth of the food and agritrading divisions.

At the end of 1989 Irish Sugar bought a 50 per cent stake in Odlums, the largest Irish flour miller, for I£17.6m and will acquire the remaining 50 per cent at the time of flotation. Earlier this year Grassland, a fertiliser operation with a 25 per cent share of the domestic market, was acquired.

"We aim to be a broadly based agri-business," says Mr Comerford. "We must get a wide geographical spread to our operations. It's the only way to expand."

DIVIDENDS ANNOUNCED

Abtrust New Euro ...fin	[illegible]	[illegible] 28	-	0.25‡	-
Assoc Fisheries ...fin	6	May 23	5	7	6
Baird (William) ...fin	6.35	July 4	5.15	8.8	8.4
Beckman (A) ...int	1.63	June 3	1.63	-	4.78
Brammer ...fin	8.5	July 1	8.5	13	13
Butler Cox ...fin	3.5	May [illegible]	[illegible]	5.25	[illegible]
Cooper (Fred) ...int	1.6†	July 1	1.5	-	4
Costain ...fin	[illegible]	July 1	7.5	[illegible]	[illegible]
Elys (Wimbledon) ...fin	[illegible]		13.5	16	14.5
Estates & Gen ...fin	2.9	May 29	2.525	3.75	3.75
Ibstock Johnsen ...fin	3.75		3.75		
Jacco ...fin	2	June 7	2	3.2	3
[illegible] & Men ...fin	[illegible]	[illegible]	8.295	13.32	12.09
Oliver Group ...fin	4.75	May 13	4.75	5.82	5.75
PFG Hodgson ...fin	1.5	July 1	1.5	3.8	-
Scholl ...fin	3.8	May 20	[illegible]	6	6
T&S Stores ...fin	3	May 31	[illegible]	5	4
Tilbury ...fin	22.5	June 5	22	33	32
TT Group ...fin	3†	May 30	2.6	5	4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Excludes special of 0.6p.

UK COMPANY NEWS

Difficult year ahead but recovery in textiles sought

Higher interest leaves Baird static at £33.8m

By Alice Rawsthorn

WILLIAM BAIRD, the textile and engineering group, yesterday unveiled static pre-tax profits of £33.77m for [illegible], compared with £33.29m, due to the downturn in the textile and engineering markets.

Mr Donald Parr, chairman, said 1990 had been a "very difficult" year for the group. [illegible] far, he said, this [illegible] had proved difficult too, although he hoped to see a [illegible] in textiles during [illegible] second half.

Group turnover [illegible] to £519.81m (£444.52m) and operating profits to £39.89m (£35.83m), although roughly half this growth was attributable to acquisitions.

A steep increase in interest payable to £6.62m (£3.73m) checked the growth in pre-tax profits. The increase in interest reflected a rise in gearing from 12 to 26 per cent due to cash payments for acquisitions and higher capital expenditure.

Earnings per share slipped to 24.1p (24.3p) because [illegible] the [illegible] in [illegible] number of shares in issue following the acquisition of Centaur in mid-1989. The board proposed an increase in the final dividend to 5.35p producing a total of 8.9p (8.4p).

The textiles division, which is one of the largest clothing suppliers to Marks and Spencer, increased operating profits to £27.06m (£23.32m) on turnover of £399.38m (£335.02m). The textile market was hit by [illegible] domestic [illegible] and fierce import competition [illegible] year.

Darchem, [illegible] engineering division, saw operating profits [illegible] (£12.5m) on turnover of £120.22m (£109.5m). Its performance was affected by the slowdown in the car and [illegible] industries.

Mr Parr [illegible] current market conditions [illegible] uncertain that it was impossible to predict the outcome for 1991 with any [illegible]. However, he was [illegible] Baird would be able to "avoid catastrophes" and hopeful that the textile market would be beginning to recover by the end of this year.

● COMMENT

William Baird has been so steady a performer in the troubled world of textiles that it was scarcely a surprise to see it produce a set of results free from the plunging profits and awful extraordinary charges that have peppered those of its competitors. The group has such a broad spread of textile interests – and so solid a relationship with M and S – that this division seems well placed to weather yet another testing year. The outlook for engineering is rather bleaker and profits are expected to falter this year. All in all Baird will do well to hold profits at £33m in 1991. This leaves the shares, unchanged at 267p yesterday, fully valued on a prospective p/e of 10 at least until it shows signs of real resurgence.

Oliver Group takes a backward step to £2.7m

By Maggie Urry

OLIVER GROUP, the third largest specialist footwear retailer in the UK, suffered a fall of 34 per cent to £2.7m in pre-tax profits for 1990.

[illegible], the 440-strong chain recorded a 22 per cent rise in trading profits to £4.3m.

The pre-tax figure was held back by a £496,000 trading loss at Oliver's 32 picture framing shops, compared to a small profit in 1989; losses of £358,000 in the photo-processing business, which was sold three days before the year end; a fall in profits from property sales from £2.6m to £1.8m; and a rise in interest charges to £2.6m (£2.3m).

Turnover from on-going businesses was 5.6 per cent higher at £93m, while group turnover rose 6 per cent to £98m.

Mr Ian Oliver, chairman, said that the group's usual first half loss would be higher in the current year than the £1.4m interim loss in 1990. But, he said, this should be corrected by the year-end as losses had been eliminated by the sale of the photo-processing chain and a return to profits by the framing division.

Mr Graham Taylor, group managing director, said the first quarter of the current year had been tough in footwear even before the impact of the budget increase in VAT was seen.

An unchanged final dividend of 4.75p is proposed to give a slight increase for the year to 5.82p (5.75p). Earnings per share were 33 per cent lower at 11.28p (16.88p).

The shares yesterday fell 3p to 185p, while the A non-voting shares were 8p lower at 160p.

Refocused Scholl dips to £14.2m

By Michiyo Nakamoto

SCHOLL, the personal and foot care products group formerly known as European Home Products, reported a [illegible] in pre-tax profits last year in its first results since embarking on a restructuring programme.

The decline to [illegible] from the previous £15.91m came in the wake of a number of disposals aimed at focusing the group's operations on personal care products.

Last year it sold its sewing and consumer durables businesses in March and its loss-making hosiery businesses in October. On a pro forma basis, excluding the contribution from the disposed-of businesses from the 1989 results, pre-tax profits were up [illegible] per [illegible] from £12.4m.

Turnover declined to £145.75m (£386.84m) although it was higher on a pro forma basis (£123.99m). Trading profits rose to £16.39m (£16.11m or £14.85m pro forma).

Mr Neil Franchino, chief executive, said that the healthy performance reflected [illegible] group's success in penetrating [illegible] and in coming up with new and improved products.

The fastest area [illegible] growth was in the foot and [illegible] division, indicating that there [illegible] still considerable room for expansion for its bread-and-butter products, he said.

Last year's disposals reduced borrowings from £55m to £13m and gearing from 60 per cent to 14 per cent.

With the group's activities focused solidly on the provision of personal care products and with its balance sheet in order again, the group said it was looking to expand through acquisitions and licensing and distribution agreements.

Earnings [illegible] share fell [illegible] 10.9p (12.1p) although on a pro forma basis, excluding from the disposal of two properties in 1989, earnings were up 51 per cent from 7.2p per share. The final dividend is unchanged at 3.5p giving a total of 6p.

● COMMENT

A solid set of results from a company that has been transformed from a mishmash of [illegible] to a neatly [illegible] group makes Scholl a perfect example of what can be accomplished by a sensible change of course. Scholl, which [illegible] acquired by EHP in 1987, had been its main contributor, putting in annual compound growth of 10 per cent and doubling trading profits over three [illegible]. The balance [illegible], which has been restored to healthy order by the disposals, is set to be boosted further with the £4.1m that the group is still owed from the sale of its sewing and consumer durables businesses. Together with expected cash flow from a highly cash generative business, borrowings could be eliminated by the year end. The management, meanwhile, has continued to exploit the Scholl brand name with new product lines and forays into overseas markets. Turnover in Japan, for example, where it sells graduated compression hosiery, more than doubled in 12 months, although being a joint venture the results are not consolidated. The prospects for the group using [illegible] proven marketing skills to [illegible] in a similar [illegible] in other [illegible] good. [illegible] of some £16.5m this [illegible] give a prospective p/e of 13. While this is in line [illegible] the market, considering that similar companies in the sector are trading at premiums of [illegible] 10 per cent, the [illegible] still have some way to go.

Lower death rate dampens PHK

By Michiyo Nakamoto

A [illegible] per cent decrease in the national death rate last year put a damper on profits at PFG Hodgson Kenyon International, the UK's largest quoted funeral services [illegible] is [illegible] under 30 per cent-owned by the French funeral group Pompes Funèbres Générales.

Pre-tax profits for the year to December 31 were £3.08m on turnover of £50.84m. Comparable figures for the [illegible] months since the group started trading in October 1989 show taxable profits [illegible] £2.3m on turnover of £12.28m.

The group was formed in July of that year in a merger between Hodgson Holdings, the funeral services company led by the flamboyant Mr Howard Hodgson, and Kenyon Securities. In February, Mr Hodgson unexpectedly departed the company, selling his 12.5 per cent stake to the French, and leaving it in the hands of a French-dominated [illegible].

A marked decline in the UK death rate last year was blamed by the group for a fall in operating margins on funeral services. In the second half of the year the death rate fell by 8 per cent from the first half and in December alone it was 29 per cent lower year on year due to the absence of a flu epidemic. The fall in the death rate had led to a slump in turnover to £21.34m in the second half, compared with £22.55m in the first six months, the company said.

The fall in turnover in the second half resulted in a reduction in operating margin on funeral services, which accounted for 88 [illegible] of [illegible] turnover. Funeral Services contributed [illegible] to turnover and £13.22m to group [illegible] profits which amounted to [illegible] to a [illegible] from the [illegible] business and [illegible] costs.

Borrowings were at £31m at year-end against net assets of £5.7m. Interest cover last year was two times if the preference dividend is treated as interest rather than dividend. The group has been building up an executive limousine hire and the contribution from this side is included in the funeral services business as are that of the emergency services and crematoria.

A final dividend of 1.5p is recommended making a total of 3.8p.

Assoc Fisheries pulls out £3.4m

Associated Fisheries pulled out of its first-half decline to report a 64 per cent rise in taxable profits for 1990.

The advance, from £2.07m to £3.39m, was achieved on sales down of [illegible] (£109.17m).

Mr Keith FitzGerald, chairman, said the improvement reflected substantially higher profits throughout the group and a positive pre-tax contribution from Macfish.

Operating profit surged [illegible] £4.05m (£1.38m) helped by higher contributions from trading, oil distribution and engineering. Last time's figure was hit by losses at DA Macrae.

An increased final dividend of 6p makes a total of 7p (6p) for the year. Earnings rose to 12.64p (10.07p).

Associated Fisheries is more than 50 per cent-owned by Eastern Produce.

Gloomy 1991 for finance houses

By David Barchard

BRITAIN'S FINANCE houses face increased arrears and bad debts, reduced new business, and falling profits in 1991, according to the annual report of the Finance Houses Association published yesterday.

"The deteriorating business environment has adversely affected every part of our members' activities," said Mr Bob Wyatt, FHA chairman.

Finance houses lend money to individuals or companies for the purchase or leasing of large assets.

Most reported a sharp drop in profits last year and two of the Big Four clearing banks, Midland and Barclays, placed their finance house subsidiaries on the market. Midland later took its Forward Trust business off the market when it [illegible] unable [illegible] find a buyer.


Bob Wyatt: concerned by credit control proposals

Personal lending by finance houses dropped 3 per cent last year to £11bn and business lending was down 17 per cent to £5.8bn, though leasing activity rose by 18 per cent to £7.2bn.

Mr Wyatt said the FHA was concerned by recent Department of Trade and Industry proposals to tighten the law on credit marketing. He said some of the proposals would lead to increased costs and delays for customers.

The FHA is particularly worried by the European Community's Draft Directive on Data Protection.

It says it would effectively put an end to credit scoring, one of the main tools lenders use when assessing a customer's credit worthiness.

COMPANY NEWS IN BRIEF

BAYNES (CHARLES): Offer for Fist Packaging has been declared unconditional as to acceptances. The offer, and partial share alternative and the loan note alternative, is extended until further notice. Valid acceptances total 99.71 per cent of the issued share capital. Charles Baynes' rights issue of 20m new ordinary has been taken up as to 93 per cent.

BLACK (PETER) has sold the assets and business of Hornsea Pottery to Zonemint, a new company, for £103,000 cash. Inter-company debt of £800,000 was also repaid. Proceeds to be used to reduce group borrowings.

COMMUNITY HOSPITALS Group has received applications in respect of 7.91m of the 8.07m ordinary shares issued in its rights issue. The balance has been sold in the market at 184p, compared with the issue price of 136p.

ELLIS & EVERARD has purchased the business and certain net assets of KD Thermoplastics for £2.65m cash. In 1990, KD, based in Chertsey, Surrey, achieved pre-tax profits of £270,000 on sales of £10.3m.

FERRANTI has sold its PABX interests to Siemens Communications. Siemens will take over the existing maintenance operations and will provide an ongoing service for the UK installed base of Ferranti PABX Systems.

FERROMET: Talks which may have led to an offer for the company by Mr L Whyte, chief executive, have been terminated.

HALLS HOMES AND GARDENS: The rights issue has had a 98 per cent take-up, subscribed as to :- by directors 1.52m ordinary, other existing shareholders by way of rights 10.17m, existing holders through underwriting commitments 28.05m, and other institutions through underwriting commitments 0.69m ordinary.

MARKHEATH SECURITIES has disposed of 4m ordinary shares (9.99 per cent) in Frogmore Estates, reducing its stake to 17.25 per cent.

MAXIPRINT has contracted to acquire at least 96 per cent of Decisionware, conditional on the placing of shares to be issued to the vendors by way of initial consideration which amounts to £94,000. Further consideration totals £7.12m over the years to March 31 1994 depending on profits. Decisionware specialises in computer software, productivity tools, software application products and professional services.

PRINCES, the canned goods importer and a subsidiary of Mitsubishi Corporation, has acquired G Barraclough, the Bradford-based soft drinks manufacturer.

REGINA HEALTH & Beauty Products: Mr Shiraz Malik-Noor, chairman, has exercised his option to acquire 10m ordinary shares at 2p per share. He now owns 17.5m (16.36 per cent). Also the Stock Exchange has approved in principle a selective placing of up to 5m shares. On the completion of both, the company will have about £400,000 of additional capital.

WILLIAMS (REX) Leisure has had discussions with a private company with a view to the injection of a business into the public company leading to the company gaining a USM quote.

UK COMPANY NEWS

Fresh job losses as British Alcan falls into the red

By Kenneth Gooding, Mining Correspondent

LOWER SALES and falling prices saw British Alcan Aluminium fall into the red in 1990 – the first deficit [redacted] the company was formed from a merger in 1982.

Taxable losses amounted to £12.3m after an exceptional provision of £10m for a plant closure in London. In 1989 the group, a wholly-owned subsidiary of [redacted] Aluminium of Canada, [redacted] pre-tax profits of [redacted].

Mr Douglas Ritchie, chief executive, said no significant recovery in profitability was likely [redacted] 1992.

However, he said group exports had benefited from Britain's entry into the Exchange [redacted] Mechanism "which has stabilised our commercial relationships with [redacted] in continental Europe."

British [redacted] export tonnages were up [redacted] year, [redacted] tonnes, but lower prices [redacted] value fall from £283m to £239m.

Exports to other European Community countries jumped by [redacted] 14 per cent to [redacted].

Mr Ritchie also pointed out that the group's debt-to-equity ratio at the end of last year was still a very healthy level at this stage of the business cycle."

Employment costs rose by £9m, or [redacted] per cent compared with 1989, to £178m.

Numbers employed at the year-end were 10,238, slightly below the [redacted] at end-1989.

However, another [redacted] jobs are to go with the closure this summer of the Silvertown foil converting plant in London.

The £10m exceptional provision is to cover the cost of this closure and the removal of most of the operations to Glasgow where British Alcan has made substantial investments.

The fall in profitability affected British Alcan's cash generation but at £61m it was similar to that for 1989. Efforts to improve stock management contributed to a reduction in operating working capital of £31m.

This allowed the group to continue its capital investment programme, which absorbed £65m (£76m), without a substantial increase in borrowing.

Turnover fell from [redacted] to £819.7m. Operating profits were £16.9m (£51.1m).

Interest payments [redacted] from [redacted] to £19.2m but tax fell from [redacted] to [redacted].

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Finals- Dewsongroup, Gardner (DC), Halls Homes & Gardens, Ingham (George), Johnson Group, Malaysia Equity Fund, Pittencrieff.

FUTURE DATES

Interims-	
Coalit	Apr. 23
New Frontiers Dev Trust	Apr. 26
Stanhope Properties	Apr. 9
Finals-	
Cairn Energy	Apr. 10
Dinkie Heel	Apr. 12
SIS	Apr. 18
PSD	Apr. 10
Lawrence (Walter)	Apr. 11
Mowlem (John)	Apr. 9
Pittard Garnar	Apr. 11
Scottish Heritable Trust	Apr. 12

Flat first half for Frederick Cooper

By David Owen

FREDERICK Cooper reported flat interim profits in trading conditions that the Midlands-based mini-conglomerate described as the most difficult for 10 years.

Taxable profits for the six months to January 31 amounted to £2.29m, against £2.31m in 1989-90.

Turnover, augmented by a string of first-time contributions, climbed by 24 per cent to £41.68m (£33.62m).

The company said that the underlying trend in sales represented a reduction of 3.5 per cent and in profits a reduction of about 10 per cent.

The fall principally came in the architectural manufacturing division, where margins have been squeezed both by the difficulty of passing cost increases on to customers and the need to manufacture in inefficient short batches, according to Mr Ed Kirk, chairman.

He said that the company had [redacted] no improvement in [redacted] trading conditions, although "the trough in [redacted] to have flattened."

Cooper's net trading margin fell [redacted] per cent from [redacted] per cent, partly [redacted] to the growth of distribution activities, which [redacted] for [redacted] per cent of sales, against [redacted] per cent.

The company now [redacted] to hold the number two slot in the architectural products distribution sector.

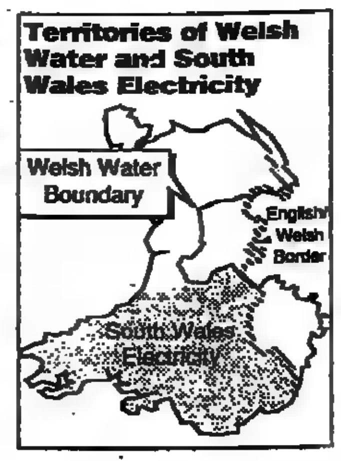
Fully diluted earnings per share fell to [redacted] (4.2p), while the [redacted] in basic earnings was from 3.1p to 2p. The interim [redacted] of 1.5p [redacted] maintained.

Mr Kirk [redacted] Newman Tonks' 4.2 per cent [redacted] in Cooper as "very friendly."

Electricity crackles faced with immersion in water

Welsh dragons are rampant over possible fusion of two utilities, writes Clare Pearson

John Elfed Jones: 50 per cent profit on WW shares



Wynford Evans: savings would [redacted] on WW's side

MR WYNFORD Evans and Mr John Elfed Jones, [redacted] of [redacted] Wales Electricity and [redacted] Water respectively, [redacted] together.

Now, when [redacted] leading lights of the Welsh business community are thrown together, the rest of the so-called Taffia [redacted] closely to see if the veneer of cordiality will crack.

Friendly [redacted] down after WW [redacted] some of its [redacted] pile of [redacted] on the surprise purchase of a 9.95 per cent stake in the smaller neighbouring utility, immediately after the regional electricity companies floated last December.

At that time Mr Elfed Jones said he saw the stake as helping to push along talks with SWE about co-operative joint ventures and cost savings.

The companies [redacted] just after [redacted] was acquired. [redacted] further discussions [redacted] place – but, recently, [redacted] to turn into an outright row.

This was after the publication of a piece of research by Kleinwort Benson Securities entitled Welsh Water: Merger Possibilities?

SWE points out that Kleinwort just happens to be WW's stock broker. Indeed Mr Evans remarks of the document: "It is [redacted] peculiar; it [redacted] curiously [redacted] document without being one."

At least some of the deterioration in [redacted] can be blamed on the way WW bought the shares. SWE was incensed to discover that Smith New Court, its own broker, bought much of the stake for WW.

SWE [redacted] swiftly to appoint Rowe & Pitman, part of SG Warburg, as its joint broker. [redacted] a possible [redacted] it [redacted] after WW, has been replaced as financial PR by Citigate Communications.

However, this does not look like simple pique at WW's cheek on the part of SWE. The companies are also profoundly at odds over the value each company would obtain even from joint ventures, let alone through a merger.

Mr Peter Hyde, a Kleinwort analyst, claims that savings of £5m-£7m could be achieved through joint ventures, and of £10m-£14m from a full merger – not counting the tax benefit of WW being able to offset otherwise unrelieved ACT against SWE's taxable profits. Mr David Jeffrey, WW's managing director, [redacted] that WW thinks these figures are "not that far out."

Mr Evans, however, says all the joint-venture possibilities were investigated by a working party last year. As far as SWE was concerned, he says, this uncovered only modest benefits from co-operation.

Mr Hyde [redacted] operational savings [redacted] in [redacted] areas [redacted] technology, depot rationalisation [redacted] working of maintenance crews.

As far as billing goes, the two companies differ in that SWE meters all its customers while WW meters very few of the domestic premises it supplies.

Nevertheless, Mr Jeffrey says he can envisage the [redacted] a joint billing [redacted] the [redacted] computer, the [redacted] people [redacted] the [redacted] on [redacted]. Any overlap in meter-reading would [redacted] on [redacted] of the [redacted] savings [redacted] efficiencies.

Mr Evans, however, says that the biggest synergy in terms of billing is that SWE could accept payment of WW's bills at its shops. In fact such a scheme has come in effect this month. But the gain to SWE is measured in "the lower six figures".

He says he sees no scope for putting the operations together in terms of information technology. On WW's computerised billing system, he says: "We [redacted] at their system [redacted] a 10th of our total requirement." In any case, he says, there is a fundamental stumbling block [redacted] WW's mainframe system is ICL-based while SWE's is IBM.

Mr Jeffrey counters: "In the medium term we are all reassessing [redacted]. We have been [redacted] billing system is [redacted] but [redacted] of date."

Mr Evans concedes he can see savings on the transport side through joint maintenance and purchasing. He says SWE is exploring such possibilities with a number of parties but the savings would be in the order of a few hundreds of thousands of pounds.

Meanwhile he heaps scorn [redacted] notion that roads could [redacted] dug up [redacted] pipes and electricity [redacted] by the same people [redacted] time.

"Water pipes are laid deep in the centre of the [redacted] while our cables are laid [redacted] in the pavement."

In summary, [redacted] is adamant that if there are [redacted] of the size envisaged in [redacted] piece, [redacted] bulk [redacted] must [redacted] on WW's side.

WW, on the other hand, thinks SWE's attitude is unnecessarily inflexible. Mr [redacted]: "Our objective [redacted] and [redacted] can, [redacted] is [redacted] can do well short of a merger."

Mr Evans can at any rate rest assured that there is no [redacted] prospect of [redacted] being [redacted] by WW [redacted] indeed anybody else. [redacted] golden share runs until [redacted] and [redacted] under [redacted] there may [redacted] no [redacted] of more than [redacted] per cent until 2000.

Among the other bodies that would have [redacted] approve any takeover, the regulators [redacted] the [redacted] industries – Mr Ian Byatt [redacted] water and Mr Stephen Littlechild for electricity – would need [redacted] satisfied that it would not adversely affect the [redacted] companies' core business. Mr Byatt in particular would need [redacted] be convinced that WW [redacted] not using funds which should have gone on capital expenditure [redacted] services.

[redacted] observers suspect that WW's move [redacted] primarily politically motivated. They point out that SWE, as the [redacted] regional electricity company, [redacted] viewed [redacted] the one most vulnerable [redacted] eventual takeover; WW may see in this [redacted] potential to become [redacted] plc.

At [redacted] one other electricity company chairman sees WW's [redacted] in [redacted] of putting [redacted] political marker down. He dis[redacted] the projects the company is talking about [redacted] kind [redacted] thing [redacted] have looked at for donkey's years and never found worth [redacted] effort".

However, there [redacted] evidence [redacted] other [redacted] and electricity companies showing [redacted] willingness to work together, such [redacted] the [redacted] Yorkshires with their wind-farm project in [redacted] Pennines.

[redacted] industry [redacted] say it [redacted] pity [redacted] SWE and WW cannot [redacted] together [redacted] try [redacted] which would provide [redacted] excellent test case [redacted] other 20 regional [redacted] and electricity companies. But, given current relations, the pair [redacted] miles away from carrying [redacted] such experiments.

[redacted] a comfort [redacted] Mr Elfed [redacted] WW [redacted] currently looking [redacted] a profit [redacted] about 50 per cent on the average price of 168p it originally paid for the SWE shares.

These have been the [redacted] performing of their peer group; but it seems unlikely Mr Evans will invite Mr Elfed Jones on a fishing trip to celebrate.

NEWS DIGEST

Ipeco up 5% and order books strong

IPECO Holdings reported a 5 per cent [redacted] in annual profits, from £3.43m [redacted] £3.59m, and expressed [redacted] for 1991 [redacted] strong [redacted] for both divisions – aerospace and [redacted] engineering.

Turnover [redacted] the 12 [redacted] to [redacted] rose 8 per [redacted] to £18.01m (£16.79m) and [redacted] operating profit of [redacted] (£3.3m) other [redacted] lifted the taxable [redacted].

The final dividend is maintained at 2p, for an increased total of 3.2p (3p). Earnings [redacted] share came through 11 [redacted] cent [redacted] 8.74p (7.86p).

[redacted] Christopher Johnson, chairman, [redacted] profits would have been more than half a million pounds higher without the effect [redacted] the strong pound on dollar earnings in the second half.

Ipeco shares yesterday rose [redacted] to 80p. It was also announced [redacted] BSG, [redacted] distributor, had sold [redacted] 6.9 per cent stake in Ipeco to [redacted].

Estates & General declines to £2.77m

[redacted] General, the property investment and development group, [redacted] from [redacted] pre-tax for 1990 [redacted] taking [redacted] in [redacted] charges to £8.12m.

Investment rental [redacted] rose 29 [redacted] to [redacted] (£5.62m). [redacted] per 20p share on a fully diluted basis fell from 299p to 233p.

Basic earnings emerged at 0.02p (4.54p), or 4.92p (7.74p) fully diluted. A same-again final [redacted] maintains [redacted] total [redacted] 3.75p.

At [redacted] year-end gearing [redacted] some [redacted] of [redacted] funds.

A Beckman falls to £697,000

Profits of A Beckman, the textile and property investment and trading company, fell from £993,000 to £697,000 at the pre-tax level for the half year ended December 31.

Turnover fell from £8m to £6.68m, with the property contribution down from £2.42m to [redacted].

Textile profits [redacted] by £107,000 [redacted]. With no trading property [redacted] time, profits from property activities fell by [redacted] £442,000.

Earnings emerged at 3.9p (5.6p) and the interim dividend is a same-again 1.63p.

Butler Cox down 42% to £760,425

Butler Cox, a management consultancy, felt the general downturn in its market in 1990 and saw [redacted] profit fall 42 per cent [redacted] £1.32m [redacted] £760,425 on turnover up nearly 15 per cent at £10.73m.

External charges rose [redacted] (£3.29m) and staff costs took £5.94m (£4.76m). Net inter[redacted] rose [redacted] (£254,168).

Exceptional [redacted] amounting [redacted] represented redundancy costs [redacted] £153,000 and a charge of £63,000 [redacted] in an unsuccessful expansion plan.

Mr George Cox, managing director, [redacted] management consultancy, [redacted] in information technology, [redacted] revenue of £4.5m (£5.1m), 42 per cent of the total. Overseas activities put in £3.7m.

An unchanged final dividend of 3.5p makes [redacted] 5.25p for the year [redacted] earnings per share of 6.31p (16.43p).

The shares fell 4p to 129p.

Abtrust New Euro net assets at 77.46p

[redacted] New European [redacted]ment Trust, which came to the market in February [redacted] specialises in smaller [redacted] stock markets, reported net [redacted] 77.46p [redacted] share at February 28 1991.

The figure compared with nav [redacted] 87.18p at end-August 1990.

Net revenue at end-February amounted to £355,300. Earnings per share emerged [redacted] 1.04p [redacted] and 2.03p fully diluted. A final dividend of 0.25p [redacted] recommended which together with a special distribution of [redacted] brings the total to 0.85p.

Anglo Pacific slides £1.6m into the red

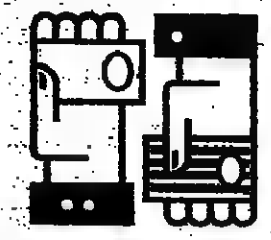
Anglo [redacted] Resources, the USM-quoted mineral explorer and producer, sustained a pre-tax [redacted] £1.6m in 1990 com[redacted] with profits [redacted] for 1989.

The [redacted] result was struck after an [redacted] exceptional charge of [redacted] (£582,000). Losses [redacted] worked through at 2.04p (0.23p earnings). There is again no dividend for the year.

FINANCIAL TIMES SURVEY

LATIN AMERICAN FINANCE

Friday April 5 1991



The region's economic prosperity looks more assured than it did a year ago. However, most Latin American politicians and economists will remain uneasy while they wait for concrete evidence that the US recession is ending. **Robert Graham** reports

A brighter panorama

WITH the Gulf War over and oil prices stabilised, Latin American countries will remain uneasy about the international outlook until they see positive evidence of the US recession bottoming out.

Yet compared to a year ago there is much more cause for optimism. Widespread fears that the international business community would be seduced by the opportunities opening up in eastern Europe and the Soviet Union at the expense of Latin America have proved groundless. Indeed, the contrary has tended to happen.

President George Bush last June launched his "Enterprise for the Americas" initiative, heralding Washington's desire for a new and more equal partnership with Latin America. For the first time, the US appears genuinely committed to fostering strong investment and trade ties with the region, beginning with a Free Trade Agreement with Mexico.

This is partly a consequence of the US recognising that Latin America is no longer a region of super-power conflict and thus relationships have no need to be based on military ties and aid flows. It is also a product of continuing uncertainties over the fate of negotiations [illegible] trade liberalisation in the stalled Uruguay Round talks.

Such considerations do not exclude the expansion of relations between Latin America and the European Community or development of new ties with Japan and the Asian NICs. But it is nevertheless an implicit acceptance that the Americas offer a natural sphere of US influence.

Latin American leaders for their part have buried old antagonisms and prejudices about US imperialism, and with it their traditionally defensive view of foreign investment. Instead they see a natural synergy between their resources, cheaper labour, expanding markets and North America's technology, capital and purchasing power.

No American president has been so well received in Latin America as Mr Bush when he visited the region late last year. The fact that he went ahead with the trip at the height of preparations for the Gulf war underlined his commitment. The initiative's ultimate aim – to create a free trade zone from Alaska to the [illegible] – may still [illegible] unrealistic. Nevertheless, it provides a stable framework both for Latin American governments to plan [illegible] development [illegible] foreign investors to consider the opportunities in this resource-rich region with a population of more than 400m and a GDP two thirds that of eastern Europe and the Soviet Union.

At the same time, instability in the Middle East and the problems of dealing with eastern European nations undergoing large political transformations without any experience of the market economy has highlighted the potential in Latin America. The region boasts functioning if imperfect democracies, a vigorous private sector (with unhealthily large quantities of capital [illegible] abroad), and a modern banking system with [illegible]tive central banks.

Just as important, some hard lessons have been learned over the past decade as a result of the debt crisis. Recession has hit deep with average per capita incomes back to the levels of the late 1970s. Only Colombia has recorded consistent positive growth. Governments have been forced to adapt. For example, the need to service debt, or at least retain the goodwill of the international financial community, led to the abandonment of the once fashionable import substitution model development.

The emphasis has switched to export-orientated growth, economic liberalisation, financial deregulation and the dismantling of investment restrictions and trade barriers. In tandem the role of the state has been slimmed down and attempts have been made to carry out [illegible] reform.

The significance [illegible] this seemingly irreversible shift in direction and policy cannot be over-emphasised. Up and down Latin America governments are talking the same language and incidentally learning from the mistakes and examples of other people. In this context, the Inter-American Development Bank (which meets this week in Nagoya, Japan) has become not merely a lending agency but a forum for channelling these new ideas on macro-economic policy; and Mr Enrique Iglesias, its president, has [illegible] himself in Washington as *de facto* [illegible]man for the region's financial [illegible].

[illegible] is the [illegible] country [illegible] in a socialist time-warp. But Chile has emerged from military dictatorship [illegible] be the [illegible] of economic management and market-orientated policies – demonstrating [illegible] sound economic policy is not the prerogative of authoritarian rule.

[illegible] homogeneity of policy [illegible] integration. Once again [illegible] of a common [illegible] within [illegible] is being revived. [illegible] significantly, Argentina, Brazil, Paraguay [illegible] Uruguay [illegible] on [illegible] the Treaty [illegible]. [illegible] four [illegible] to work [illegible] eliminating [illegible] and non-tariff [illegible] on [illegible] by [illegible]. The treaty further [illegible] a free [illegible] in services and co-ordination [illegible] monetary policy. Such an [illegible] when Argentina and Brazil are still grappling with hyper-inflation may seem grossly over-ambitious; yet five years [illegible] the mere idea would [illegible] been [illegible]able.

Meanwhile, the generalised acceptance of privatisation as a means [illegible] cut the role of the [illegible], stimulate [illegible] [illegible] has [illegible] of the most remarkable phenomena in [illegible] year. The Mexican treasury this year could earn more than $10bn largely through [illegible] banks and [illegible] national telephone [illegible]. Brazil [illegible] the next two [illegible] could raise [illegible] in privatisations while Argentina has [illegible] $10bn of [illegible] this way. The main problem here is going to be competition for funds and [illegible].

Although the region's macro-[illegible] policies [illegible] pointed in [illegible] right direction, the results remain uneven. On the positive side, a growing number of countries are over the worst of the "lost decade" of the 1980s and are beginning to enjoy [illegible] recovery. Recession has not prevented [illegible] value of the region's exports increasing in five years from [illegible] to $120bn, with the 1990 trade surplus [illegible] $26bn.

In part this reflects oil sales [illegible] Colombia's entry as an oil exporter) alongside the continued [illegible] of traditional commodities such as coffee and copper. However, agricultural exports have [illegible] and done well, as have non-traditional exports. One cannot ignore either [illegible] continuing impact of [illegible] illegal drugs trade in underpinning economies such as Bolivia, Colombia, Peru and increasingly those of central America.

Export surpluses [illegible] helped [illegible] with the large [illegible] service. Although the region's [illegible] at a daunting [illegible], the debt service ratio has dropped from a high of 41 per cent to 26 per cent [illegible] the end of last year. Chile and [illegible] month [illegible] the first countries [illegible] to raise funds through sovereign [illegible] of the debt crisis in 1982.

The debt overhang has become more manageable and a [illegible] of imagination [illegible] reduction formulas has been found. Mexico, [illegible] Rica, [illegible] and, lastly, Uruguay [illegible] debt reduction [illegible] with the commercial banks within the [illegible] Plan formula. The Paris Club last year [illegible] seven rescheduling [illegible] for official bilateral [illegible]; the softest terms being extended to Bolivia and Guyana.

[illegible], the debt burden imposes constraints across the board and will long condition access to fresh external funding. By the end of last year four countries were behind in their payments to the International Monetary Fund, [illegible] to the World Bank [illegible] to the IADB. Indeed, unpaid arrears largely explain last year's lower level of net capital transfers [illegible] $19bn. Total arrears increased $11bn to [illegible] last year, of which nearly a quarter was accounted for by Brazil, the largest foreign debtor.

The [illegible] cases [illegible] are also those economies still suffering hyper-inflation – Argentina, Brazil, [illegible] and Peru.

In varying forms, these governments are paying the price for past economic mismanagement, combined with continued failure to hold down public spending and introduce effective fiscal and monetary policies.

Since the beginning of the year, both Argentina and Brazil have introduced new adjustment plans but it is premature to suggest they are about to turn the corner.

It is essential they do, since between them they account for 40 per cent of the region's debt and 35 per cent of its exports. Their plight casts a cloud over an otherwise brightening panorama.

The figure of Christ the Redeemer looks down from Corcovado on the city of Rio de Janeiro

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Commercial bank loans dominated in the 1970s and early 1980s, but the range of instruments has broadened, writes **Tracy Corrigan**

Borrowers rediscover the capital markets

THE trickle of Latin American borrowers returning to the international capital markets is gaining impetus. According to research by Salomon Brothers, capital flows into Latin America have grown from $5bn in 1989 to over $13bn for 1990.

While commercial bank loans dominated Latin-American finance in the 1970s and early 1980s, the range of both borrowers and instruments has broadened considerably in the last few years. Both state-owned and private companies have been able to tap the market using a variety of instruments, including bonds, securitised or collateralised debt, and share issues.

The improvement in economic conditions in some countries has been matched by a realisation that the performance of Latin American bonds, as opposed to loans, has been quite strong.

"The general perception of Latin American debt is coloured by the loan restructurings. But debt securities and [illegible] have performed well in dollar terms," one banker says. "Over the last 15 years, the default rate for bonds has been less than 1 per cent."

Latin America has generally proved a good bond credit and a bad loan credit, reflecting, perhaps, differences in bond and loan structures. Bonds are much harder to reschedule than loans, and defaulting on a bond issue would lead to loss of access to the capital markets for an indefinite period.

Mexico and Venezuela have completed Brady-style debt agreements, and embarked on economic reforms, while Chile has reached a comprehensive agreement with its private creditors. Investors have also realised that even distressed [illegible] such as Brazil may have one or two strong companies.

Summary of capital flows to selected Latin American countries (1989-90 $m)

	1989	1990
Argentina	1,400.5	521.5
Brazil	150.0	406.3
Chile	1,149.9	2,045.4
Mexico	702.3	8,395.2
Venezuela	1,020.2	1,842.6
Regional	577.5	175.0
Total	5,000.4	13,386.0

Source: Salomon Brothers

Mexico, following a political and economic resurgence over the last few years, has been at the forefront of the market, since it effectively reopened in 1989. It was the largest recipient of new capital flows in 1990, with a total of $8.4bn, enough to cover the nation's projected current account deficit twice over, say Salomon Brothers.

To have access to the international capital markets, a Latin American issuer has to be at the top of its industry, financially strong, and a large generator of dollars. This means that there are only a dozen or so eligible names in Mexico, still more than in most other Latin American companies.

Pemex, the state oil company, has led the way with Eurobond issues in D-marks, Austrian schillings and dollars, as well as a US domestic offering. Pemex's recent dollar offering is trading at a premium to its issue value, reflecting firm investor demand.

The shortage of Mexican paper is likely to encourage Mexican borrowers to return to the markets, where they may find more attractive rates. However, a double digit coupon remains psychologically important; few investors will buy paper which matures in more than five years.

Among recent Mexican borrowers, Telmex, the telecommunications [illegible], brought a $150m US private placement last year, while Cemex, the cement producer, has launched one Eurodollar bond issue and is preparing another. This is expected to be a $300m registered Eurobond, via J. P. Morgan, with a tranche for placement in the US, under Rule 144A. Other issuers include Novum, an industrial company and Vitro, a glass producer.

In the short-term markets, the London and New York branches of Mexican banks issue 90 to 180 day certificates of deposit. Mexican companies are expected to start to issue commercial paper [illegible], [illegible] will be a strong quality constraint.

Outside Mexico, large borrowings have been few, although the volume of small private placements has risen.

Chile, perceived as a stronger credit than Mexico, has been little in evidence, due to the country's well developed domestic markets.

Chile's top companies can raise funds for as long as 12 years domestically for a margin of only a couple of basis points above the dollar London interbank offered rate, a funding level which few companies elsewhere in the world would envy. The short-term paper market also offers highly competitive rates.

Rates in Chile became very tight because of the growth of pension funds, which are restricted to domestic instruments. As their demand for paper could not be met by domestic issuance, there has been some relaxation of the rules. Chilean companies have little incentive to borrow outside their own market. However, Compania de Telefonos de Chile (CTC), the telecommunications company, raised nearly $100m [illegible] as American Depositary Receipts on the New York stock exchange last year.

Chile contrasts with Mexico, where domestic rates are high, and the market extends no further than a year. For 30 to 90 day dollar funds, even the strongest companies have to pay between 17 and 18 per cent.

There have been a number of issues by Venezuelan companies, such as Sivensa Steel and Corimon Chemical. Petroleos de Venezuela, the Venezuelan oil company, raised DM200m last October. But Venezuelan companies are generally less well known internationally, and the economic fundamentals are less favourably perceived.

In other countries such as Brazil, Argentina and Colombia, still facing economic problems, there have been only a few privately-placed deals, usually for less than $25m.

Pemex, Mexico's state oil company, has led the way with Eurobond issues in D-marks, Austrian schillings and dollars, and a US domestic offering

■ MEXICO: learning from past mistakes

In the final stages of privatisation

"A bigger state meant a [illegible] ability to respond to social demands and in the end greater weakness of the state . . . the state kept expanding while the welfare of the people collapsed." President Carlos Salinas de Gortari, November 1989.

IF privatisation is the new buzzword in Latin America, Mexico can take much of the credit. Eight years ago, Mexico's government started selling its state-owned companies; some 250 privatisations later, the process is almost over. Within the next 12 months the country's 18 state-controlled banks, the remainder of its shares in the telephone monopoly, Telmex, and the steel company, Sidermex should all have been sold.

The government would be left with the state-owned oil company, Pemex, the federal electricity company, railways and postal services, among other enterprises. But Mexico's constitution keeps these strategic companies in state hands – and Mr Salinas, under pressure from the nationalist forces in his party, has vowed not to change the constitution.

The Mexican privatisations have, as in the rest of the continent, been driven by the desire to raise money (this year the government could raise more than $10bn from privatisations), to improve the efficiency of former state-owned enterprises, and make the government more responsive to social rather than industrial problems.

As in Chile, the other pioneering privatiser in Latin America, the desire has proved easier than the implementation. Mexico's early privatisations were messy, ad hoc and poorly organised.

Mexicana, the state airline, was finally sold in August 1989, some three and a half years after Mr Salinas, then budget minister, had told the FT that its sale "was a fact". Cannanea, the copper mining company, was finally sold last year, four years and four bungled auctions after it was first put on the market. The biggest scandal camewhen the government preplaced some non-voting bank shares in 1987 to bank employees and, it is alleged, to government sympathisers. The shares were greatly under-priced; those of the two biggest banks climbed by 3,000 per cent and 2,000 per cent respectively in the seven months after the offering.

Mr Jose Cordoba, Mr Salinas's closest adviser, seems to have admitted to the difficulty of the process when he warned in a recent article in the Mexican magazine *Nexos* that "there is a tendency all round the world for privatisation programmes to underestimate the complexity and time-consuming nature of each transaction". Mr Cordoba criticised Chile's 1970s privatisation programme for leading to "crony-type capitalism" – exactly the criticism that opponents have levelled at the Mexican government.

The government has been more careful in evaluating companies before putting them up for sale, and introduced a two-stage bidding process for the sale of the banks and Telmex

But with Mexico's privatisation programme entering its final stage, the government seems to have learnt from many of its past mistakes. Recently, it has been much more careful in evaluating companies before putting them up for sale. It has introduced a two-stage bidding process for the sale of the banks and Telmex – one stage to weed out undesirables and another to select the highest bidder. The new process largely rules out string-pulling and bribes.


Ashley Ashwood

Chief of Staff Cordoba: realised the difficulties

The Salinas administration has also done a much better job at spelling out the regulatory structure the companies will face in the private sector. In the case of Telmex, the government set fairly rigid quality standards, price controls and conditions of competition.

In December, a consortium headed by the dynamic Mexican businessmen Mr Carlos Slim Helu paid $1.76bn for a 20 per cent controlling stake in Telmex, the largest-ever cash purchase in a developing country privatisation programme. The new company looks to be keeping to the regulations set out by the government – although earlier this year it had to waive temporarily a price increase owing to popular outcry. Over the next three years the consortium says it will invest $8bn in improving quality of service.

Later this year, the government is expected to sell the remaining 36 per cent stake in Telmex through an international share offering which could fetch roughly $3bn. This will be the first time a developing country has sold a public company through the international capital markets.

Similarly, the Salinas government shrewdly laid the grounds for the bank privatisation in 1989 when it overhauled the financial system. It liberalised bank lending and deposit rates, and ended the compulsory channelling of credit to preferred sectors. Subsequently it introduced legislation that facilitates universal banking (when banks, brokerages and insurance agents are under the same roof), but prohibited the formation of integrated industrial/financial conglomerates.

In selling the banks, the ministry of finance has gone to great lengths to avoid accusations of selling them too cheap, or that it is givng them away to its friends. Booz Allen and McKinsey, the management consultants, have just finished valuing nine banks apiece. Each bank has to value itself and a national banking commission makes still further valuations.

The government started privatising banks on February 19 this year, when it announced that Banpais, Multibanco Mercantil and Cremi would be the first to be sold; at the close of registration some 17 offers had come in for the three banks.

According to a recent report by the Association of Mexican Banks, the government could raise up to $8.5bn from the sale of 18 banks, just under 20 per cent of Mexican internal debt, and 85 per cent of the 1989 government deficit. Even at these prices there appears to be no shortage of suitors; as of the middle of March there were some 59 registered offers from 19 Mexican groups.

The ministry of finance suggests that Banamex, the biggest and best-run bank, with $18.5bn of assets, will be bought by either Mr [illegible] Hernandez, boss of the brokerage, Accival, or Mr Fernando Senderos of the conglomerate Desc (20 per cent of the voting shares will be bought by regional board members). Grupo Visa of Monterrey apparently is bidding for both Bancomer, the second biggest bank, and Serfin, which is also being bid for by Grupo Pulsa, owner of the brokerage Vector.

Perhaps the most interesting bid is for Banco Internacional from its 2,000 regional board members. Mr Jaime Corredor, Banco Internacional chairman, has been travelling the country putting the bid together with full support from the government. In spite of its official position of neutrality with regards to bids, the government would clearly like at least one of the banks to be controlled by small shareholders.

Mexico's recent privatisations have been made a lot easier by the improvement in the economy over the past couple of years. As the chaotic Brazilian and Argentine attempts at privatisations attest, selling state companies when the economic future is so uncertain is a recipe for disaster – although the alternative of not selling loss-making companies may not be much worse.

Still, Mexico's privatisation unit in the Ministry of finance deserves some credit for learning from its past mistakes, and improving the process of privatisation as the programme has continued. If the unit privatised itself, it could [illegible] profit handsomely from selling its services to its Latin neighbours.

Damien Fraser, Mexico City


Ashley Ashwood

President Salinas: financial liberalisation set the scene for bank privatisation

The Inter-American Development Bank has seen many changes since 1988, writes **Nancy Dunne**

An ambitious sense of purpose returns

THE news fluttered through the bureaucracy of the elegant Inter-American Development Bank headquarters in Washington. Greenpeace, the activist environmental group, was outside delivering an eviction notice – to make room for a forest.

The "eco-warriors" were handcuffing themselves to trees to protest against the bank's proposed forestry policy, which they insist would evict native people from their homelands.

Inside the heavily-guarded confines of the bank, the protest seemed to evoke little alarm. Since 1988, when Mr Enrique Iglesias and Mr James Conrow came aboard the IADB as president and executive vice-president, the two have been steering the bank into the mainstream of environmental consciousness.

Officials point with pride to the creation of a new environmental division which reviews each project for potential negative impact. Six environmental projects were approved last year and 13 are in train this year, totalling $750m.

The bank has been restructured, and staff levels quietly [illegible] by about 18 per cent. Morale, at a low ebb in 1988, has rebounded and there is an ambitious sense of purpose.

This was defined by the intellectually restless Mr Iglesias, who works 15 hour days, sleeps four hours a night and studies German and the piano in his spare hours. The IADB, he decreed, should be the main instrument of modernisation for Latin America. Furthermore, it would serve as a bridge with other international organisations and the industrialised nations, meeting frequently with Latin American leaders, explaining the region's needs and sensitivities to the rest of the world.

As planned with the last capital replenishment, the pace of lending has accelerated from a low of $1.7bn in 1988 to $3.88bn last year. The bank is expected to pour into Latin America $5bn in 1991; $6bn in 1992 and more than $7.6bn in 1993.

Lending has moved into new areas with sectoral loans (comprising up to 25 per cent of the total), environmental loans, and small projects loans, targeted principally at women, young people, indigenous populations and low-income groups. Operations have been decentralised with loan officers on the scene getting a greater say in various projects.

As the IADB has changed, so have the views of Mr Conrow, the [illegible] in command. Before coming to the bank, he was for four years the deputy assistant US Treasury secretary responsible for relations with the developing countries and the international financial institutions.

In those days, he saw the bank as an overpaid, sluggish bureaucracy, following outdated prescriptions for development, making poor loans to inefficient governments. Thinking was so long-term, he says, that the bank never seemed [illegible] the problems". It needed to improve the quality of its loans; move into sectoral lending; [illegible] environmental consideration into the planning; work more closely with the World Bank and the International Monetary Fund.

Mr Conrow's nomination to his present post by the Treasury (the job is traditionally held by Americans) so horrified the last IADB president, that Mr Antonio Ortiz Mena resigned rather than submit to US dictates. Mr Iglesias had no such qualms, however, and the two men have formed a complimentary working relationship with the president focusing on concepts and strategies and Mr Conrow overseeing the bank's operations.

"Before I came here, my job was to negotiate for the US government," Mr Conrow says. Not quite keeping up with his boss but working 13 hour days, his concern has grown for "the human side" – the social conditions of the region. He talks with enthusiasm about "massifying" small project loans through local banks and non-governmental organisations (NGOs)) to "spread out" the benefits and create a thriving, legitimate small business sector.

At the US Treasury he had urged closer ties between the IADB and the World Bank. The two have been working in tandem on "fast disbursing" sectoral loans which enable governments to make basic policy changes. The idea was that the World Bank would conduct a two-year tutorial to get the IADB quickly into the [illegible].

Now Mr Conrow has begun to wonder if relations have not become too close. "They might not have it right all the time," he says. "But we can learn from the World Bank's mistakes." With the World Bank supporting macroeconomic policy adjustments, the IADB can dig more deeply into sectoral problems to root out the structural impediments.

Both banks have been taking up the financing of Mexico's transportation and telecommunications networks, including the privatisation of TELMEX, the country's principal telecommunication company. Half the $600m has been disbursed. Mexico, Bank officials say, has performed beyond expectations; the second $300m tranche is likely to be approved in April or May.

Other changes have come. Lending has gone increasingly to create support for private investment and financial sector development. Emphasis has been placed on providing loan and technical assistance in the areas of scientific and technological development.

The bank is providing analytical and technical support for the creation of regional common markets, the Paraguay-Parana waterway project, the integration of energy sources for Mexico and Venezuela and creation of a central American regional group.

Attention has been paid to the ailing economies of Haiti, Nicaragua, Peru and Panama. In Haiti, where the government is considered weak, loans are made through NGOs. The other three are so far in arrears that the IADB is not permitted to loan to them, but the bank is working with the governments to devise repayment plans and projects for each are "in the pipeline."

For all the activity, the bank is not without its critics. Although Mr Iglesias and Mr Conrow said they were committed to reforming the IADB's poor environmental record, Mr Campbell Plowden of Greenpeace insists they are rushing through a destructive forestry policy in order to get it to the annual meeting in April. The NGO committee, set up for such purposes, has not been consulted, he said.

"It's very easy to talk rain forest rhetoric and sustainability. It's not easy to achieve," he said. Mr Iglesias has taken the offensive against criticism by working with the United Nations Development Programme to produce "Our Own Agenda" for the region.

He agreed with the environmentalists that "sustainable growth is not a luxury" but a prerequisite that made both economic and moral sense. Development must go on, he said, because poverty is one of the leading enemies to world environment.


Conrow: steering towards environmental consciousness

Pedro Aspe, the Mexican secretary of finance: launched tirade against swaps

Ashley Ashwood

DEBT-EQUITY CONVERSION

Going out of style

TWO years ago in Amsterdam at the annual meeting of the Inter-American Development Bank, the Mexican finance minister, Mr Pedro Aspe, launched into a tirade against debt-to-equity swaps.

Except in special circumstances, they were inflationary. If attempts were made to make sure debt-equity swaps did not cause inflation, money had to be taken out of the economy to neutralise their effects on the money supply. This would result in a damaging rise in domestic interest rates.

However, fewer and fewer of the old-style debt conversions to which Mr Aspe was so antagonistic now take place in Latin America. Chile, which paved the way in encouraging foreign investment and a return of flight capital through debt conversions, is one exception. But the shrinking discount on its debt – now less than 20 per cent – has made it less attractive and little debt is now being converted.

There is now excitement at the prospect for one of Mr Aspe's special cases: using debt conversions in privatisations. Because privatisation involves a transfer of assets from the public to the private sector, no monetary expansion results when the debt is converted.

Debt-equity conversions can still be controversial, even in privatisation: the selling of national assets to foreigners at subsidised rates is not necessarily widely popular. It can also be self-defeating, particularly when the conversions provide investors with a subsidy for an investment they would have made in any case.

In Argentina, this does not seem to be a worry. Government officials have talked of reducing the country's $60bn foreign debt by 20 per cent through the current spate of privatisations. This may be ambitious. But, [illegible] the latest of the state airline, seems to have hit turbulence, there seems a political determination to push ahead.

In Brazil, where two steel manufacturers are on the block, progress is less certain, although expectations continue that it will establish a programme to help with its privatisation. It abandoned debt-equity conversions four months after the start of its 1988 rescheduling package. But Mexico has already sanctioned $3.5bn of rights to debt conversion in its privatisations, which include the telephone company and its banks.

While moving ahead with its privatisation plans, Venezuela has been emphasising new investment. It has held three debt-equity auctions since 1989, converting about $250m of debt. This suggests estimates that it may erase up to $2bn of debt over the next two years to encourage investment into big energy, tourism and infrastructure projects are ambitious.

Mr Mark Coombs, head of emerging markets at ANZ Merchant Bank, says: "There are still private sector corporate finance deals to be done using debt/equity conversions, but much [illegible] such [illegible] finance business will be large scale privatisation and these will be [illegible] main users [illegible] old sovereign debt.

"The problem is that demand driven by privatisation will cause the supply of paper to dry up and prices will increase [illegible] the level where benefits become marginal."

Mr Paul Luke of Chartered WestLB, the London merchant bank, points out that in spite of the risks, converting public debt into equity in privatisations, particularly in Argentina and Brazil, may well be a rational choice. In both countries, the private sector runs significant surpluses, while the public sector continues burdened with heavy deficits.

Figures cited by the World Bank in its quarterly *Financial Flows to Developing Countries* suggest that debt-equity conversions have slowed in recent years. From their peak in 1988, when $13.5bn of swaps were estimated to have taken place, the figure dropped in 1989 to about $12bn and last year to an estimated $11bn.

But debt-for-equity is not the only way in which countries

Bolivia has led the way in so-called 'debt-for-nature' exchanges

have managed [illegible] erase their old debt. Less important from a numerical point of view, Bolivia has led the way in so-called "debt-for-nature" swaps where debt is cancelled to finance environmental projects. The Dominican Republic has set up a four-year programme that will convert $80m of debt, 10 per cent of its external debt, into funds for conservation.

The Inter-American Development Bank has agreed a $300m [illegible] with the Mexican [illegible]. The Bank will buy Mexican foreign debt and [illegible] government would [illegible] money [illegible] from the purchase [illegible] of parts of polluted [illegible] City.

Debt-for-development swaps have also benefited in a small way a number of Latin American countries, notably Ecuador, Peru and Costa Rica. However, new US bank accounting rules have reduced the [illegible] for US banks to [illegible] debt to non-profit organisations.

Only two countries, Yugoslavia and Peru, have introduced formal debt-for-export [illegible] countries are allowed to [illegible] a portion of their debt in return for the export of [illegible] products. Debt is [illegible] cash paid according to [illegible] ratios, depending on the type of exports. [illegible], such swaps seem unlikely [illegible] be widely used. Most governments would see cash as preferable to cancelled debt. As the World Bank has pointed out, widespread use of such programmes would also tend to promote inefficient exporters.

Bank debt is also disappearing through cash buy-backs, although only [illegible] per cent of [illegible] bank [illegible] chose this option in its recent Brady deal, and bond-for-debt exchanges. Of these, the $33bn exchange of bonds for Mexican debt under the Brady plan is the largest. It may remain so, depending on the discounts agreed on the restructuring of the bank debt of Brazil and Argentina.

Finally, another avenue of debt conversion has also appeared, which involves the cancellation of official debts. Bolivia and Brazil pioneered an agreement where Bolivia's debt to Brazil would be cancelled in return for Bolivia's purchase of Brazilian bank debt and its subsequent cancellation.

In the US Enterprise for Americas Initiative and the deal agreed last month between the Paris Club of creditor governments and Poland, official creditors have the option to cancel official debt in exchange for local currency.

Stephen Fidler,
Euromarkets Correspondent

DEBT CONVERSION PROGRAMMES IN SELECTED COUNTRIES ($m)

	1985	1986	1987	1988	1989	1990	1985-90	% share
Argentina	-	-	180	1,057	1,224	6,960	9,421	14.5
Bolivia	-	-	-	446	235	149	830	1.3
Brazil	445	175	300	5,686	2,318	1,000	9,924	15.3
Chile	277	827	1,864	2,939	3,122	976	10,047	15.5
Colombia	-	-	-	-	338	-	338	0.5
Costa Rica	-	7	104	29	130	989	1,259	1.9
Dominican Republic	-	-	-	-	1	-	1	0.0
Ecuador	-	-	128	261	24	45	458	0.7
Jamaica	-	-	-	9	25	22	56	0.1
Mexico	-	413	4,282	5,731	2,623	9,782	22,801	35.2
Nigeria	-	-	-	-	10	50	60	0.1
Philippines	-	81	460	931	614	1,581	3,667	5.6
Uruguay	-	-	-	118	27	25	170	0.3
Venezuela	-	-	340	230	390	2,619	3,579	5.5
Yugoslavia	-	-	-	134	1,400	710	2,244	3.5
Total	742	1,601	7,606	17,513	12,479	24,880	64,813	100

Source: Institute of International Finance and [illegible]

DEBT CONVERSION PROGRAMMES

	1985	1986	1987	1988	1989	1990e	1985-90	% share
Debt-equity swaps	497	822	3,271	8,236	4,808	10,933	28,367	40.7
Local currency payments	-	68	87	3,422	1,531	730	5,833	9.0
Debt buyback/exchange	-	-	-	1,874	968	10,333	13,195	20.4
Local currency conversions	156	438	798	1,639	2,238	2,374	7,641	11.8
Private sector restructuring	89	279	3,454	4,340	3,113	500	11,775	18.2
Total debt conversion	742	1,802	7,608	17,511	12,478	24,880	64,811	100

Source: Institute of [illegible] Finance

■ BRAZIL: privatisation under pressure

Problems for the sell-offs

"BRAZIL'S privatisation programme is becoming increasingly like the boy who cried wolf," says Mr Ken Baxter whose bank Bozano Simonsen is trying to put together a fund of potential foreign investors. "The government wants us all to get excited at this stage but we've seen it all before."

He is one of many who are beginning to think that the Brazilian government has bitten off more than it can chew with its ambitious programme to raise $18bn from the sale of 28 state companies by the end of 1992.

The forthcoming sell-offs all in the steel, petrochemical and fertiliser sectors are fraught with problems. But the programme is way behind the schedule announced in March 1990 to sell six companies last year, and President Fernando Collor is eager to delay no longer. Potential buyers fear he will insist on quick sales, glossing over vital details which could cause problems later.

Mr Baxter points out "the British took years over privatisation and appointed top-rate advisers and expertise. Here they're trying to do it in a quarter of the time with some very suspect advice."

Such doubts are important. With Brazil in its worst recession for 47 years and possessing only a small stock market, the privatisations are reliant on foreign money for success.

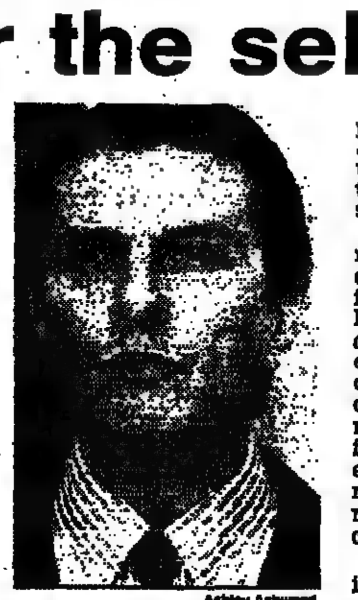
"There is no doubt that foreign capital is very important," says Mr Licinio Velasco, director of privatisation [illegible] National Development Bank (BNDES) which is overseeing the process. "But the big difference between ours and other privatisations is our immediate fund of money is very great."

Mr Velasco claims: "without even thinking of new money we have a fund of between $70bn and $100bn." This consists of between $30bn and $40bn of MYDFAs, Brazil's main foreign debt instrument, $10bn to $30bn in internal debt, $30bn of blocked cruzados seized in a drastic assets squeeze [illegible] year and $3bn in privatisation certificates which banks and financial institutions have been forced to buy.

With all proceeds from privatisation committed to reduce Brazil's $120bn foreign debt, the sales will be less a matter of willing buyers eager to invest in Brazil and more of shuffling of papers many holders have already written off. The attempt to force banks into buying privatisation certificates and to persuade Brazilians to use their hard-earned blocked cruzados have added a sour taste of coercion [illegible] the process.

Foreign debt conversions are expected to be the main currency and Mr Eduardo Modiano, head of the programme, says he expects privatisation to be "MYDFA driven". [illegible] discount rate for conversions has been set at 25 per cent, though regulations governing conversions are still to be announced.

Also to be decided is whether



Ashley Ashwood

Collor: eager to end delay

there will be a minimum holding period. The National Securities Commission wants shares to be held for 42 months, which many see as a deterrent.

Brazil believes its rules for foreign participation are fairly liberal. Although foreign companies can hold only 40 per cent of voting shares they can put up 100 per cent of the capital through joint ventures.

In spite of doubts that Brazil is trying to do too much too soon there is considerable foreign in[illegible] with many leading banks setting up large funds. The first privatisation is likely in July and the company, Usiminas, has attracted the most interest. The prospectus on this profitable steel mill, which has Japanese and Italian participation, is due out at the end of this month. BNDES hopes the sale will raise at least $1.7bn.

However, many of the companies BNDES has announced to detract attention from the delay from the original timetable are less attractive with massive debts and bulging payrolls and expected union problems. The overworked underpaid technical staff of BNDES are currently flooded with reports from advisers and with an eager president breathing original down their necks no time or resources to follow advice to clean up these companies.

Many of those to be sold off in the petrochemical and steel sectors have minority shareholders with whom no agreement has been arranged. The steel companies were all formerly controlled by Siderbras, the holding company for the state steel sector which was liquidated by the president a year ago. Foreign banks could insist that receipts from [illegible] be used to cover outstanding Siderbras debts – an estimated $12bn.

The first sale must be successful for the government to [illegible] more controversial privatisations which require changes in the Constitution. They hope eventually to sell off everything from the ports to the petrol monopoly and communications.

Christina Lamb
Rio de Janeiro

One of the world's most economically divided regions is uniting

The race towards free trade

FOR much of the past 40 [illegible] Latin America's [illegible] been bitter, protectionist rivals. With singular success they restricted, and even prohibited trade between each other, [illegible] each country [illegible] for self-sufficiency, or, better still, trade surpluses.

The remarkable fact is that now the very same countries are queuing up to form common [illegible] trade agreements. Brazil, Argentina, Paraguay and Uruguay hope to [illegible] a [illegible] by the [illegible] of [illegible] Mexico and [illegible] American republics [illegible] Chile, Colombia, Venezuela and [illegible] will soon negotiate their free trade agreements. Astonishingly, one of the [illegible] most economically [illegible] regions could [illegible] the most unified.

There are [illegible] to [illegible] creation [illegible] common Latin [illegible] market, especially in Argentina and Brazil, where almost anything could happen in the next few years. But what seems undeniable is that the old import-substitution model of development, as propagated by the UN Commission for Latin America throughout the 1950s and 1960s, has been discarded.

The speed of reform has inevitably been uneven. Chile, which started the 1980s with a relatively open economy, but became more protectionist under the pressure of external debt, has led the way in the past five years, and has reduced its maximum tariff to 15 per cent. Mexico and Bolivia soon followed, abolishing all import licences and slashing tariffs. More recently, Venezuela, Colombia, Argentina and lately Brazil have all started to reduce tariffs and import restrictions – although in the [illegible] two cases the rhetoric has been more extreme than the reality.

The lift [illegible] Latin American economic integration rather than to mere liberalisation has come in [illegible] from the threat of trading blocs in Europe, North America and Asia. Many Latin American leaders fear that simply liberalising trade may not help their economies, if the rest of the world's trade blocs turn into fortresses. Hence the desire to form a regional trade bloc within Latin America and eventually with the US and Canada. In this, Latin America's leaders were given a fillip by President George Bush's Initiative for the Americas, launched last June, which called for a free trade area from Alaska to Argentina.

Ashley Ashwood

Bush: free trade from Alaska to Argentina

However, just as Mr [illegible] initiative is seen mainly as a political rather as an economic gesture, the same is true of the impact of many of the trade initiatives within Latin America. More than 85 per cent of the continent's trade is still

The biggest obstacle [illegible] more substantial integration is the 1980 Montevideo treaty

with countries [illegible] the region. As long as Latin American economies continue to produce roughly the same things rather inefficiently, opening their economies to the rest of the world will be far more economically significant [illegible] opening up to each other.

But the trade deal's political impact could be important. For the first time in years most of Latin America's leaders, all of whom are now democratically elected, get [illegible] with each other. Many of the trade agreements being discussed appear primarily to [illegible] means of cementing the current [illegible] between the countries.

In Mexico, for example, the foreign ministry has been pushing for trade deals with Latin American neighbours in the hope this will reassure those at home and [illegible] that the [illegible]try is not becoming overly dependent on [illegible] US, with whom [illegible] to have [illegible]cluded a free trade agreement some [illegible]. But [illegible] under negotiation [illegible] economically signifi[illegible] only about 5 [illegible] of Mexico's trade [illegible] America, and just 0.23 per cent with Chile and [illegible] with Central America, the two regions with whom it has been negotiating most intensely.

Similarly, only [illegible] 6 [illegible] cent of Brazil's trade is with the three Southern Zone countries with whom it is negotiating a free trade [illegible] relations within the three have been strained – in the 1970s Argentina spent billions on nuclear technology simply to match Brazil's programme. The proposed common market will force the countries to work more closely together; it will reduce trade barriers and require them to co-ordinate exchange rates and monetary policy.

Ironically, probably the biggest obstacle [illegible] a more substantial integration in the region is Latin America's 1980 Montevideo trade treaty, which gave birth to the Latin American Integration Association (LAIA). The treaty was meant [illegible] encourage greater flexibility in [illegible] member countries by allowing countries to negotiate bilaterally rather than multilaterally. Under the terms of the treaty a country could offer [illegible] specific discount on existing tariffs on a [illegible] of [illegible] another country. The two countries would then bargain over the discount, and the composition of the basket.

However, in the opinion of one senior Mexican trade official, the treaty is a disaster and partly responsible for the fall in intra-regional trade from $12.1bn in 1981 [illegible] in 1988.

Part of the problem is that countries bargain over the discount and not over the actual tariff rate. Thus although a 90 per cent discount on a 100 per cent tariff rate is equivalent to a 50 per cent discount on a 20 per cent tariff, this was not recognised by the treaty. Countries apparently deliberately raised their basic tariff [illegible] (which [illegible] outside the bilateral [illegible] had then to face) so as to enter bilateral [illegible] in [illegible] stronger position. Worse still, [illegible] raised basic [illegible] still higher [illegible] negotiations [illegible] concluded, reducing [illegible] impact of the [illegible] discount.

The second problem was that [illegible] basket of goods covered was unrepresentative [illegible] incomplete; in 1988, it included just 40 [illegible]. By [illegible] some goods in the basket, and some out, government distorted trade and production within [illegible] region.

On April 5, [illegible] the LAIA are due to report [illegible] proposals by [illegible] Mexican admin[illegible] reform the treaty. [illegible] would force governments [illegible] negotiate [illegible] tariff rates, rather than [illegible] counts, and exceptions to the basket of goods, rather than on what the basket should contain. Whether the Mexican proposals are accepted or not – Chile, Bolivia, Venezuela and Colombia are all apparently in favour – the Montevideo treaty is likely to be overhauled.

Given the instability in many of Latin America's economies, high inflation and widely different social conditions, a common market on the European model seems [illegible]. But [illegible] core [illegible] the continent, followed by a series of over-lapping [illegible] trade deals, seems within its reach. But unless such [illegible] treaty is accompanied by continued liberalisation with respect to the rest of the world, the economic impact will be slight.

Damian Fraser,
Mexico City

THE market in developing country debt has been transformed in a matter of 18 months. The reason: the end of a six-year bear market and the creation of new securities which offer holders easily tradeable investments.

It was a market that seemed doomed to self-liquidate in the 1990s, as the bank loans were bought back, exchanged or converted into local currency by governments keen to reduce their debt.

Now, this seems less likely. Traders have extended their brief to include, for example, domestic securities in dollars and local currencies and blocked currency accounts, and the number of countries whose debt is traded has widened significantly over the last year. Some are suggesting that a market for the trading of government-to-government debt is a possibility.

Yields on paper from some countries have [illegible] pushed down to levels low enough to encourage the issue of new secur[illegible] for example, from Mexico, Venzuela and Chile. This suggests that the market could eventually provide the basis for an offshore capital market for Latin America.

In the early years, prices were guided almost entirely by levels of bank provisions. It was a market with few external buyers, apart from the debtors themselves.

Many banks would be prepared to sell debt at a discount up to the level of their provisions, because by doing so they would free some of the provisions.

Higher provisions therefore chased prices in the debt market downwards. Except for the Japanese – and their future behaviour provides an interesting question for the market's future – most banks arrived in 1990 near to desired provisioning levels and pressure on prices thus abated.

The second development to transform the market has been the emergence of the so-called "Brady" bonds. These bonds have been exchanged for bank loans in a number of the Brady packages. The $33bn created in the Mexico restructuring has been described as the largest single issue of bonds in history, and they are among the most actively traded securities in the international clearing systems.

At a yield of 13 per cent or m[illegible], the bonds, partly backed by [illegible] Treasury collateral guaranteeing repayment of principal after 30 years, have proved attractive to some investors, particularly with the fall in yields of other US assets.

THE DEBTY DOZEN
Turnover in the LDC debt market and leading traders, ranked by volume

	Rank		Turnover ($bn)		Market value ($bn)		
Trading house	1990	1989	1990	1989	1990	1989	Traders[1]
JP Morgan	1	1	16.0	14.0	75-100	70-80	25
Man Hanover	2	7	14.5	8.0	130-150	100	20
Chase Manhattan	3	4	14.3	9.8	90-100	70-80	12
NMB	4	2	12.5[2]	13.4	70-80	60-70	15
Citibank	5	6	10.6	8.5	80	60	11
Bankers Trust	6	5	10.1	8-9[3]	100	80-85	16
Chartered WestLB	7	-	9.4	5.3	100	80	5
First Chicago	8	–	9.0	4.7	100	50-60	8
Midland Montagu	9	–	8.8	4.2	125	80	11
Salomon Bros	10	8	8.5	7.5[2]	90	80-85	12
Banco Santander	11	11	7.5	5.5	80	50	6
Chemical bank	12=	11	7.0	5.5	-	–	7
Morgan Grenfell	12=	–[5]	7.0[4]	–[5]	100-120	80-100	6

[1] Often includes activities other than straight trading: all traders worldwide
[2] Estimate
[3] Mid-range of market estimates
[4] Last six months of 1990
[5] Took over Libra team in 1990, In 1989 Libra's $11.5bn turnover placed it third

Source: RISK magazine

DEBT IN THE DEVELOPING COUNTRIES

A market transformed

The liquidity of these instruments has to some extent quietened the long-standing debate about whether trading in debt really constituted a market.

New traders have narrowed buyer-seller spreads significantly – on the Mexico Brady bonds this is now typically ⅛ to ¼ of a percentage point. A large group of traders now carry inventories of LDC debt, and brokers, such as Intercapital and Tullett & Tokyo, have entered the market and have made an impact.

Mr Xavier Lépine of the Paris-based FP Consult believes the market has developed sufficiently for there to be a valid options contract on an index. He points out that the conservatively-estimated trading volume last year of $80bn on a stock of debt of over $400bn face value compares almost exactly with the Paris bourse (although the absolute size of debt market is flattered because of the high discounts to face value at which the [illegible] trades).

Others point out the heavy selling – from Middle [illegible] banks and the London [illegible] thum banks and elsewhere – that was absorbed [illegible] to rising market last year. (However, market trading volumes are still hotly [illegible]puted and subject to double-counting and exaggeration. This makes tables such as that accompanying this article highly approximate.) Mr Lépine also believes the market's reputation for volatility is overplayed. While twice as volatile as the US Treasury bond market, he calculates it is significantly less volatile than, for example, the S&P 500 index of US stock prices.

Options are being marketed over-the-counter by some banks, particularly from the US, and have found buyers.

Along with a growth in sophistication, there has been an increase in trading. Because buyer-seller spreads have come down and arbitrage opportunities have been ironed out, many traders now attempt to make money by taking positions.

This, agrees Mr Ric Haller of Morgan Grenfell, is the main source of profitability for his team, which moved over in the middle of last year from the now-closed consortium bank Libra.

Others traders are more oriented towards market niches. Some, such as NMB of the Netherlands, appear to have eschewed market volume for [illegible] they call "value-added" business, for example using [illegible] conversions [illegible] provide corporate [illegible] either for multinational or domestic companies.

Although US institutions continue to [illegible] the business, many are establishing a bigger presence in London. This is partly because the market has widened out from Latin America: according to traders, the debt of the Soviet Union, India and the countries of North Africa now trad[illegible] discounts to face value.

Mr Stephen Dizard, managing director at Salomon Brothers, says that US institutional investors – largely insurance companies and mutual funds – have so far been more interested in the market than their European counterparts, partly because it is mainly dollar-denominated.

The debt market, he says, provides the ability to deal in volume in assets from a country in which an institution may have a favourable view. The small stock markets of these countries are not yet developed enough to take investment on a large scale, he points out.

Some institutions look on the debt as a kind of convertible bond "spinning off some coupon payments and providing rights to convert into equity".

As Mr Paul Luke of Chartered WestLB, the London merchant bank, says: "Institutional buying is growing all the time."

However, it is from a modest [illegible] the debtor countries themselves – particularly if the heavy schedule of privatisations goes ahead in Argentina and Brazil and they obtain debt restructurings with the banks – still seem likely to provide the main source of buying for some time to come.

Stephen Fidler

THE BRADY INITIATIVE

Unexpected success

Witteveen: few banks chose debt reduction option

NOBODY is saying it very loudly, because Latin America's recent history has made forecasters cautious. But it is being said all the same: the Brady plan is working better than many dared to hope.

The initiative launched by the US treasury secretary, Mr Nicholas Brady, in March 1989 was never seen, even by its proponents, as a panacea for the ills of developing country debtors. Reducing the debt burden was a necessary, but not sufficient condition for economic recovery. Without profound economic reform in the debtor country, debt relief would fail.

The initiative shifted the focus of the international debt strategy, which changed the emphasis of the international debt strategy from debt creation to debt reduction. The idea was that official funds, mainly from the World Bank and International Monetary Fund, would be used to provide an incentive for commercial banks to agree to reduce their claims on debtor countries.

Particularly in Mexico, the first beneficiary of the plan, the combination of debt relief under [illegible] Brady plan and economic reform has engendered a third commodity, long in short supply in Latin America – confidence.

Greater confidence about the country's economic prospects is now being voiced outside the country. There is growing interest among foreign investors.

More important, [illegible] appears to be [illegible]ing. This is leading to a steady flowback of flight capital, money squirrelled overseas because of the wealth-endangering policies of successive governments.

The banks may have believed the deal provided insufficient relief

The single most important indicator of domestic confidence is showing positive – domestic interest rates as measured by the rate the government pays to borrow through the short-term bill market.

This rate, close to 50 per cent when a debt agreement in principle was announced with the banks in summer 1989, is now closer to 20 per cent.

This sets in train a virtuous cycle – the pressure on the government is lightened because the government has to pay less to service its domestic debt.

Mexico was the first beneficiary of the Brady plan, for obvious political reasons. But the pressure exerted by the US to complete this deal has yielded benefits for others by providing a path which others could follow. The Latin American beneficiaries now include Venezuela, Costa Rica and Uruguay.

The deals have not provided much evidence of the so-called moral hazard: inducements to poor behaviour. The continent's best credits have not decided to seek the path of debt relief under the Brady initiative. [illegible] Colombia and Chile last month completed exercises which include some new funds from banks.

Furthermore, for the first time since the early 1980s new investors have emerged willing to buy the debt of Latin American companies: Mexico, Chile and Venezuela, belying predictions that once debt forgiveness was conceded by banks, new finance would be closed to the debtors. Foreign banks may not be large lenders again, but that is probably no bad thing, but investors, private and institutional, do seem willing selectively to commit funds.

Mexico's early success has come despite arguments that the debt relief it won was too small. It has been calculated that the actual debt reduction for Mexico was 16.5 per cent, and the reduction of its interest burden was 23 per cent. Outside Latin America, the bank debt of the Philippines has fallen by a modest 6.5 per cent because of its Brady deal – and it looks likely to be forced into another restructuring. Only in Costa Rica, where the bank debt was bought back at 20 cents on the dollar, can the debt reduction be said to be profound.

The [illegible] themselves, in [illegible] protestations to the contrary, may also have believed [illegible] deal provided insufficient relief.

Mr Johannes Witteveen, a former managing director of the International Monetary Fund, has made the following point: "In the case of Mexico, it is rather striking that only 10 per cent of the banks had preferred new lending without debt reduction . . . That so few have chosen this option seems to confirm therefore that they judged the debt reduction plan inadequate to achieve completely satisfactory results."

Now, however, other bankers may well wish they had followed Citicorp and the handful of other banks which decided not to offer debt relief but which instead made more loans.

Another reason the Brady initiative was expected to prove limited in scope *is that it* does not cover the government-to-government debt.

This is of limited significance for countries such as Venezuela and Mexico, but of greater importance, for example, for Brazil, where a higher proportion of debt is owed to foreign governments.

A number of developments will help alleviate this problem, at least for some. Bolivia, for example, as one of the poorer of the continent's countries, has benefited from debt relief under the Toronto terms. The US Enterprise for Amer[illegible] Initiative also suggests a reduction of 50 per cent in up to $7bn in US aid loans in Latin America, and up to $5bn of official trade debt will be eligible for relief.

However, the agreement by the Paris Club of creditor governments to allow at least 50 per cent of debt relief for Poland will certain intensify pressure for other middle-income countries to gain the same benefits.

In fact, a Paris Club creditor to Poland itself, the Brazilian government was quick to latch on to the possible implications for its debt burden.

While creditors will find such pressure will become increasingly difficult to resist, significant movement on this front should probably not be expected soon.

Two years after the launch of the Brady initiative, Latin America presents a mixed picture. Mr Shaheed Hussein, World Bank vice-president for Latin America and the Caribbean, divides the continent into three camps.

- Countries with sustained economic adjustment during the 1980s: Chile, Mexico and Bolivia.
- Those [illegible]pting adjustment, with varying degrees of success, but having made more recent attempts at change: Brazil, Argentina, Colombia, Costa Rica, Jamaica, Venezuela, Ecuador and Paraguay.
- Countries with economies suffering from economic mismanagement or regional conflicts, but making some efforts at reform: Peru, Nicaragua, Honduras, El Salvador and Guyana.

Even allowing for the expected public optimism of World Bank officials, here is a more positive picture than could have been painted two years ago. This is in spite of the questions that remain over whether Brazil and Argentina, which are so important for the economic well-being of the continent as a whole, will be able to secure comprehensive debt agreements with banks.

However, neither the Brady initiative nor any possible successor, will eliminate failure and the initiative, in spite of *its flaws, has provided hope* where previously there was little.

Stephen Fidler

President Menem, left, acting out of urgent necessity. Cavallo, right, sees the need for quality and competitiveness

■ ARGENTINA: a convert to private enterprise, but . . .

Proceeding with caution

PRIVATISATION is no longer a dirty word in Argentina. A country still notorious for its inefficient state enterprises, a sprawling military-industrial complex and a dependent private sector is becoming a convert to private enterprise.

Almost everything has become fair game for privatisation. For example, the Buenos Aires council has privatised everything from street sweeping to the zoo and tax collection.

The federal government is planning to privatise over 70 companies, making Argentina's the largest privatisation programme in the developing world. By the end of the process, only essential services, such as education, will remain under direct government control.

President Carlos Menem is acting out of urgent necessity. He needs to shed loss-making companies and use privatisation receipts to balance the budget and thus stem inflation.

Since coming to office in 1989, Mr Menem has carried out seven privatisations, retiring over $7bn of foreign debt through debt for equity swaps. Mr Menem plans to retire a third of the $31bn commercial bank debt over the next two years.

Mr Menem's privatisation policy has been a typically Argentina affair. Brimming with enthusiasm, he rammed through privatisation after privatisation, without heeding calls for caution. Now that many predictions of disaster have come true, he has radically changed tack.

Not only did a vengeful Mr Menem fire Mr José Roberto Dromi, who as public works minister, was responsible for the fiasco, but he even abolished Mr Dromi's ministry.

Two of Mr Dromi's privatisations have come seriously unstuck. In February, the government suspended toll commissions covering 10,000 kilometres of federal highway because operators were charging unacceptably high tolls.

The sale of 85 per cent of Aerolineas Argentinas to a consortium led by Spain's Iberia is stalemated. It had offered $260m in cash, plus $2.01bn in a debt for equity swap and $683m in investments in the next five years.

However, it refused to pay more than a $130m downpayment, so the government did not transfer the shares. Both sides accuse each other of ignoring the contract. Furthermore, the consortium was riven with a bitter dispute over financing and control of the airline.

The government now realises that privatisation is a complex and time-consuming process. Mr Domingo Cavallo, the economy minister, and Mr Vittorio Orsi, planning secretary and the man in charge of privatisations, say they have learnt from Mr Dromi's mistakes.

Mr Orsi said: "Previously the emphasis was on reducing the foreign debt – which we still want – but we also emphasise the need to increase quality and competitiveness. In the gas, water and electricity privatisations, which are due next, we will provide regulatory norms that will make the entire [economic] system more competitive."

They are proceeding with great caution, even at the cost of delaying badly-needed privatisation receipts. Officials now accept that the next big sale – the privatisation of SEGBA, the greater Buenos Aires electricity company – will take at least a year to complete.

Where the previous privatisations where shrouded in secrecy and dogged by rumours of corruption, the new team is determined to make future sales transparent. A legion of auditors, consultants, bankers and politicians together with the World Bank and Inter-American Development Bank, will *monitor* each stage of the process.

The government accepts the importance of a well-written set of regulations. Iberia has won a controlling interest in a domestic air transport monoply and 50 per cent share of international traffic, as a result of the Byzantine negotiations to acquire Aerolineas.

However, Mr Cavallo is not immune from criticism. Businessmen complain bitterly that he abrogates contracts whenever he judges the outcome to be unacceptable. For example, Shell's local subsidiary was outraged last month when Mr Cavallo cancelled its bid for an oilfield. He claimed that a competitive sale [illegible] impossible because no other company had offered a bid.

An observer said: "Behaviour like this makes Argentina a laughing stock. How do they expect to attract foreign investors when they keep changing the rules to suit themselves?"

Mr Cavallo and Mr Orsi are meeting quiet but determined opposition to privatisation [illegible] companies owned by the armed forces. Of the 7[illegible] companies mentioned in a government privatisation list, no fewer than 30 are owned by the defence ministry.

John Barham,
[illegible] Aires

MANAGEMENT

ABB Asea Brown Boveri

First the creation – but the fruits have still to be fully realised

William Dullforce examines the electrical engineering group's continuing struggle to digest its acquisitions

T[illegible] time [illegible] come for Percy Barnevik and his management principles. Three and a half years after he set out to build the world's strongest and most profitable electrical engineering company from the merger between Sweden's Asea and Switzerland's Brown Boveri, the widely praised managerial skills of the bearded Swede are being stretched.

First, ABB is having to cope with a general economic downturn before it has been fully trimmed into shape. Second, Barnevik is having to devise fresh ways of maintaining dynamism and the drive for excellence among managers while the group is still digesting large acquisitions. Sales have shown a 50 per cent spurt over the past two years, while at the same time management responsibility has been vigorously decentralised.

ABB's creation in January 1988, and the speed with which Barnevik [illegible] about merging plants, trimming staff, cutting costs and grabbing market shares through takeovers triggered an unprecedented transformation in the world's electrical power industry.

Now, Barnevik considers, "the major long-term surviving [illegible] have [illegible]". These [illegible] sees as including General Electric in the US, Siemens of Germany, the new alli[illegible] of Britain's GEC [illegible] France's Alsthom [illegible] big Japanese groups.

For ABB "it is time to consolidate what we have achieved, particularly in Western Europe and North America". From the beginning Barnevik stated his intention of making ABB the lowest cost competitor in the business. He admits that General Electric is still better. "Maybe not in each product – they have a lot of other businesses which means they are not strictly comparable, but as a corporation GE is clearly more profitable than we are."

As a means of bringing ABB to full competitive strength, Barnevik still has complete faith in the matrix management structure [illegible] imp[illegible] on the newly created group in 1988. Activities are organised vertically by product into eight business segments and 59 business areas. Each segment is responsible globally for organising manufacturing units and product development.

Horizontally, the group is broken down into countries or regions. Under Barnevik, a 12-member executive board divides responsibility for the business segments, geographical regions and corporate operations.

However, the combination [illegible] decentralisation, under which managerial responsibility [illegible] pushed far down the line, and extremely rapid expansion, has produced [illegible] in [illegible] ABB now operates with some 1,300 separate companies and [illegible] profit centres, functioning [illegible] possible [illegible] "stand-alone" operations.

The executive board has a computerised information system which [illegible] performance data from the profit centres monthly and is capable of aggregating or disaggregating the results so that they can be worked with. But Barnevik recognises the contradiction [illegible] the necessary central control and the desire [illegible] entrepreneurial action at [illegible] lowest possible level in [illegible] group.

[illegible] year he found he needed to [illegible] management with extra [illegible] business area level and at the same time to boost the business areas managers' responsibility for technical development. Some of these managers have been replaced.

He also launched, with the aid of outside consultants, a vast internal "customer focus" programme, to help "mobilise thousands of managers". Initiation of this programme was in itself an admission that top management had not so far succeeded in what Barnevik has always considered to be the biggest challenge in running a group of ABB's size – motivating middle and lower level managers and entrenching corporate values.

Another shortcoming to which he readily admits is the failure to reduce working capital quickly enough. The end-1990 balance sheet shows $7.3bn in inventories and $5.5bn in trade receivables. In fact, inventories have been brought down from 37 per cent of sales in 1987 to 27 per cent last year, while receivables have fallen from 28 to 21 per cent. But Barnevik wants inventories to come down to 22 per cent of sales and receivables to 17 per cent.

Finally, Barnevik is concerned with "managing the (worldwide economic) downturn". Geographically, ABB

Percy Barnevik: complete faith in matrix management

has so far felt the recession in North America, northern Europe, the UK and Australia.

Sales of power, transport and environmental equipment have held up well so far, but in their case the recessional effect can be expected later.

Many of ABB's young managers have had no experience of running a company or profit centre in a recession. "I do not want ABB to be their learning school," Barnevik says. Months ago he disseminated the message that they should plan for lower production and staffing levels this year.

There is no panic at ABB's Zurich headquarters; Barnevik's programme has included continuing progress in the cutting away [illegible] over-capacity, the rationalisation of manufacturing by closure of plants, and the re-allocation of products and reduction in overheads.

ABB's consolidated net earnings remained flat at $590m in 1990 while group sales climbed by 30 per cent to $26.7bn. The net profit suffered from a jump of $194m in taxes and an estimated $100m negative impact from the integration of Combustion Engineering (CE), the [illegible] power and process automation group, which Barnevik bought in [illegible] 1989.

But [illegible] earnings a[illegible] depreciation advanced by [illegible] per cent [illegible] $1.79bn, which [illegible]cates that the effort to improve cost competitiveness and manufacturing efficiency is [illegible]ceeding. Pre-tax earnings rose by 21 per cent to $1.1bn despite [illegible] in net interest charges as a result of the increased borrowing [illegible] for acquisitions.

Most important, order books totalled $25.7bn [illegible] the [illegible] of December or 42 per cent higher than a [illegible]. The balance sheet showed a healthy $5bn available in cash and marketable securities.

Barnevik is cautious about [illegible] outlook for 1991. [illegible] expects pre-tax earnings [illegible] reach "at [illegible] last year's level". In [illegible] longer term, he insists, continuing restructuring should put the group back on the track of sustained earnings growth.

[illegible] breakdown by product [illegible] business segment of the 1990 results [illegible] up [illegible] which clearly need concentrated attention from management. Operating earnings in the industry segment, which covers mainly process engineering and automation equipment, fell by nearly 20 per cent despite a 70 per cent surge in sales. Admittedly, this segment [illegible] affected by the introduction of CE's large process automation business and Barnevik [illegible] it is now set to return to better profitability.

A 61 per cent dive in the already low profit level of the transport segment – mostly railway equipment – is attributed [illegible] some unprofitable contracts but acquisitions and mergers have taken longer to digest than expected. However, Barnevik points to the 60 per cent surge in new orders last year.

Performance also varied in [illegible] three [illegible] segments which account for nearly half ABB's [illegible] sales. The transmission and distribution businesses posted profit increases of over 40 per cent while the power plant managed only a 10 per cent advance despite a 70 per cent climb in sales. Barnevik points to the jump in spending on research and development as a profit-inhibiting element in power plants.

Geographically, developments in North America, where ABB now generates 20 per cent of its turnover, will be as crucial as those in its European base. Barnevik still has to show that his opportunistic grab for CE in December 1989 – which was widely seen within the industry as over-stretching ABB's managerial capacity – will come good.

Barnevik admits that the $1.6bn price has imposed a financial burden on the group as [illegible] whole but he says CE is not losing money at the operating level and should be able [illegible] reach an acceptable level [illegible] return in another two years.

In [illegible] some bad contracts, CE had proved [illegible] "not a hell of [illegible] lot worse than we thought but not better either". Barnevik has recouped $600m of the price through disinvestments. The remaining [illegible] 30,000 [illegible] cut by 5,000; headquarters staff is being reduced from 600 to 100; plants are being merged in the US and Canada; spending on research and development [illegible] been substantially increased; and the American managers, according to Barnevik, are making rapid progress in meeting ABB[illegible] objectives.

"You cannot become the first new entrant in a century into the US power field smoothly and nicely. You are bound to pay for that strategic value," Barnevik says.

With the integration of CE and the transmission and distribution [illegible] which it took over from Westinghouse, ABB has become "an American producer and exporter with a unique breadth" in the power field, Barnevik says. "The US power utilities like having a competitor in the [illegible] really believes in power. Things are [illegible] right [illegible] North America," he adds.

In Europe, Barnevik believes, it [illegible] really [illegible] a question of survival of the fit[illegible] when the European Community moves [illegible] competition [illegible] the power and transport [illegible] some time [illegible]. After three years the restructuring is well advanced and the profitability of ABB[illegible] European companies is far ahead of its newly acquired American units.

Last year ABB resolved a crisis in relations with the Fin[illegible] group in Italy. Problems surfac[illegible] ABB's acquisition of CE's boiler business, which the Italians saw as threatening their own production of boilers. The deal agreed in 1988 was rearranged to leave ABB with the [illegible] business. [illegible] and Ansaldo retain the boiler and turbine business and licence ABB turbines.

The outcome would have been better, had ABB been able to take a minority holding in the turbine and boiler operation, but "we have the transformers, 10,000 people and [illegible] $1.5bn annual [illegible] Italy," Barnevik says.

[illegible] developments in Spain, where he was [illegible] taking over Cenemesa, Conelec, Cademesa (CCC), the loss-making power plant and transmission group just after buying CE. [illegible] now effectively merging the former businesses in Spain and Portugal [illegible] GE, Westinghouse and Brown Boveri.

Again, it will take a couple of years for the Iberian operations to reach respectable profitability but Barnevik voices satisfaction with the speed at [illegible] plants are being closed and merged, new machinery is being moved [illegible] and [illegible] capital is being shrunk. Orders are "pouring in again," he says.

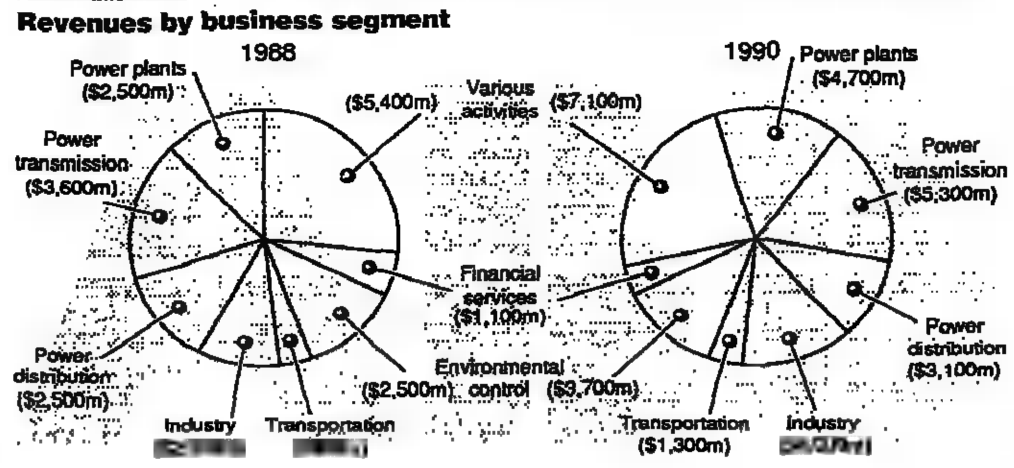
With restructuring already having [illegible] favourable effect on profits in its original bases in Germany, Switzerland and the Nordic countries, ABB [illegible] joined in the race for business in [illegible] Europe. Through [illegible] or joint [illegible] to [illegible] some [illegible] employees in east Germany by the end of 1991 and more than that in Poland, Czechoslovakia, Hungary and the Soviet Union. Barnevik sees the region as a long shot, in [illegible] ABB [illegible] at "getting our technology and management practices in but restricting our exposure".

For the next 12 months Barnevik [illegible] three managerial priorities:

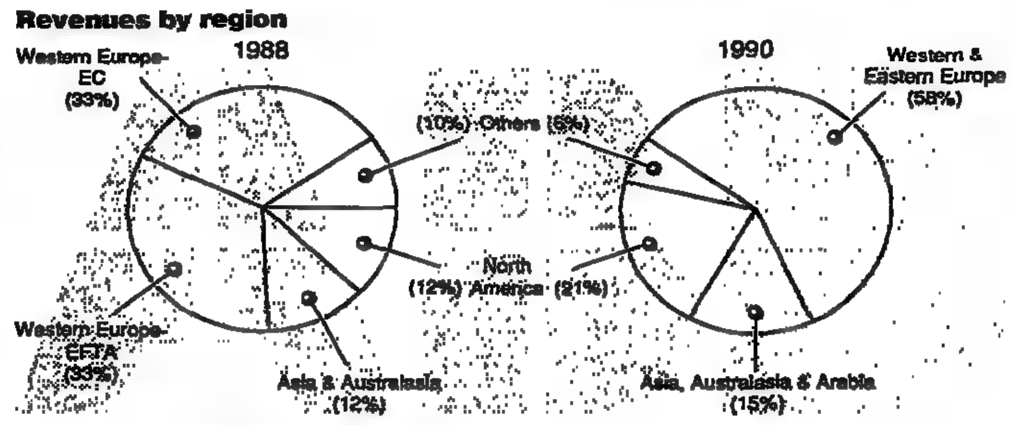
- [illegible] "explode" the [illegible] focus programme all the way down [illegible] grassroots level through hundreds of seminars, "so that we can succeed in improving operating quality".
- to manage the downturn in the world economy properly.
- to shrink the balance sheet "so that we can remove the trimmings, [illegible] our financial freedom and really get the opportunities [illegible] of this group".

This is an unusually [illegible] list for the aggressive industrialist who shook up the industry for three years. Speed remains the essence of Barnevik's style but it is likely to be applied strictly [illegible] for the next couple of years.

Revenues by business segment



Revenues by region



BUSINESS FOR SALE

BUSINESS FOR SALE ALSO APPEARS ON PAGE 10

LEGAL NOTICE

JUON PLASTICS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at [illegible]

[illegible]

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF TYNDALL HOLDINGS PLC - and - IN THE MATTER OF THE COMPANIES ACT 1985

[illegible]

NORTON ROSE, Kempson House, P.O. Box 570, Camomile Street, London EC3A 7AN, Solicitors for the said Company

[illegible]

CLUBS

COMMODITIES AND AGRICULTURE

Reports of Soviet strike losses boost nickel prices

By Kenneth Gooding, Mining Correspondent

NICKEL PRICES rose on the London Metal Exchange yesterday on reports from the [illegible] Union suggesting that strikes at the Norilsk mining-refining complex in northern Siberia had halved output of the metal.

Analysts said the situation [illegible] potentially serious because Norilsk was a big exporter and the Soviet Union usually supplies between 70,000 and 100,000 tonnes of nickel [illegible] the west each year. It accounts for about 15 per cent of [illegible] ern world consumption.

Norilsk produces platinum group metals as by-products and Mr Andy Smith, analyst at Union Bank of Switzerland, suggested that any production problems would hit the rhodium market hardest.

Rhodium, an essential material [illegible] some anti-pollution cat[illegible] [illegible] more [illegible] doubled in price in the past year to [illegible] a troy ounce. [illegible] share of world supply [illegible] rhodium [illegible] usually 40 per [illegible] but [illegible] indications its stocks are very low.

Norilsk recently told Falconbridge [illegible] Canada that it might [illegible] difficulty meeting contracted supplies of nickel matte (an intermediate product) to [illegible] smelter in Norway. "This tells us that all was not well before the strike," said Mr Ted Arnold, analyst with Merrill Lynch. He pointed out [illegible] western nickel stocks were low and demand was holding up well.

On [illegible] LME [illegible] night, cash nickel [illegible] a tonne, up $122.50.

European hedge for NY coffee

By Barbara Durr in Chicago

NEW YORK'S Coffee, [illegible] Exchange (CSCE) begins trading today in a contract providing traders, producing countries and European roasters with [illegible] medium when dealing in arabica coffee for delivery in Europe.

The Euro-differential [illegible] tract, as it is called, is based on the price differential between delivery of the CSCE coffee "C" [illegible] in New York and Europe. This [illegible] results from [illegible] fluctuations, freight rates and supply and demand [illegible] between the two locations.

Europe [illegible] growing demand for mild [illegible] and the contract is described as a solution for those needing [illegible] European coffee. [illegible] London [illegible] and Options Exchange arabica [illegible] contract has not done well since being launched [illegible] month, but the CSCE says that it [illegible] contract at the request of the European [illegible]. It will work like this: [illegible] dealer brings [illegible] to [illegible] European [illegible] for 90 cents a lb, [illegible] hedge [illegible] purchase until [illegible] to [illegible] the CSCE [illegible] "C" [illegible] market for, say, 95 cents a lb. But if he estimates the cash price in Europe [illegible] additionally [illegible] Euro-differential [illegible] for [illegible] a lb.

If the European cash price then falls to 92 cents, and coffee "C" contract is still trading in the US [illegible] 95 [illegible], the coffee "C" futures hedge would not have [illegible] dealer [illegible] recoup the full 98 [illegible] through his Euro-differential [illegible].

Euro-Differential prices will [illegible] quoted in [illegible] lb, Europe minus New York, plus $10. This is necessary because it is possible for European prices to fall below New [illegible] resulting in negative prices and price quotation systems cannot process negative numbers.

The CSCE [illegible] new [illegible] will bring more business to the "C" futures market, though it can be traded separately. To attract [illegible] the exchange and [illegible] clearing house are waiving contract and clearing fees on the new contract for the first six months. Margins have been set at $200 per contract.

Using the Euro-differential contract together [illegible] the "C" [illegible] allows for delivery [illegible] Antwerp, Belgium; Bremen and Hamburg, Germany; or Amsterdam/Rotterdam, Netherlands.

Sugar outlook 'depressing'

By David Blackwell

THE OUTLOOK for [illegible] prices is depressing [illegible] the [illegible] with China staying out of the market, Mexico looking to reduce surplus purchases, India exporting [illegible] Thai production rising, according to E.D. [illegible] F. Man, the London broker. The same factors are also putting the premium for [illegible] sugar over raws under threat, Man [illegible] in [illegible] monthly sugar market report. White sugar supplies are not likely to slow down in the second quarter as usual.

Man now puts Thai production at 3.9m tonnes instead of an [illegible] of 3.7m [illegible]. Yesterday Thailand's Industry Ministry said cane production this year would [illegible] 38m tonnes, which [illegible] with [illegible] January [illegible] of 31m to 33m tonnes. However, [illegible] weather has reduced the sugar content, and the country said it [illegible] expecting only 3.5m [illegible] the cane.

India cuts cotton estimate

By Kunal Bose in Calcutta

THE INDIAN [illegible] crop estimate [illegible] (September [illegible] August) has once [illegible] been revised downward [illegible] 11.5m [illegible] (170 [illegible] each) from the December forecast [illegible] 12.2m [illegible]. Production [illegible].

The substantial lowering [illegible] the crop estimate from the 15m bales forecast at the beginning [illegible] season [illegible] led [illegible] Indian Cotton Advisory Board [illegible] recommend that [illegible] Delhi should not allow any further export of cotton beyond the 1.34m bales already sanctioned.

The various [illegible] trade [illegible] in the country are unanimous in their opinion that [illegible] 1990-91 crop will be lower than the latest official estimate of 11.5m bales. In support of this view they point out that cotton [illegible] between [illegible] and February 1991 were 9.59m [illegible], compared with 10.36m bales in the corresponding period of the previous season.

While the setback in production is [illegible] to [illegible] weather conditions, particularly unseasonal [illegible] and a large-scale [illegible] attack, [illegible] differences of opinion [illegible] crop [illegible] once again brought to the fore, much to [illegible] government's embarrassment, the lack of [illegible] a scientific [illegible].

As the crop has turned out to be much smaller than originally forecast, prices of medium staple variety of cotton have gone up by [illegible] per cent and of long staple variety by 50 per cent since the beginning of the season. Traders say that there will be a further rise in prices, particularly of [illegible] varieties, in the coming weeks.

[illegible] next cotton harvest could yield 11m bales, up from this year's [illegible] April) record [illegible], Karachi [illegible] (KCA) chairman Mr Akbarali Hashwani said, [illegible] Reuters from Karachi. His [illegible] follow an accord between the country's four provinces [illegible] month [illegible] sharing [illegible] from the Indus river.

Quick growth seen for organic farming

By David Blackwell

ORGANIC FARMING [illegible] Europe [illegible] to expand by 25 per cent a year over the next five [illegible] according to the Economist Intelligence Unit.

In a special report, the EIU forecasts that by 1995 [illegible] agriculture will occupy 776,000 hectares in the European Community, and have sales of £2.7bn, compared with [illegible] 255,621 [illegible] with production worth £900m. [illegible] past performance and present circumstances suggest that this rate of growth is "a conservative and [illegible] expectation."

Taking the growth rate on to [illegible] turn of the century would result in a land area of 2.36m [illegible] and a market of £8.2bn. But, [illegible] the EIU, "there are too many unquantifiable factors at work" to make that forecast with confidence.

The report [illegible] that greater output will lead to lower prices, encouraging consumption. But it points [illegible] organic production now occupies less than 1 per cent of the EC's farmed land. "Organic agriculture could double, triple or quadruple without [illegible] ripples in European agricultural circles."

Consumers who see conventional agriculture as environmental hooliganism are clamouring for organic produce. They are concerned by [illegible] in the water supply and factory farming of livestock, [illegible] the EIU.

But "there [illegible] no [illegible] there are significant handicaps [illegible] expansion of organic agriculture which are common to all European countries.

Farmers switching to organic farming face lower yields and [illegible] of crankiness. The distribution [illegible] is weak, with demand [illegible] in urban areas [illegible] from production, which [illegible] by farmers rich in [illegible] ics but poor in finances.

[illegible] have given little [illegible] "The chemical industry [illegible] hold most farmers in a tight grip, benefiting from the innate conservatism of the farming world," says the EIU. There is [illegible] doubt [illegible] organic produce is [illegible] distinctly minority [illegible], and organic farming is "only on the first rung of the European agricultural ladder".

But its appeal to Brussels is considerable, and [illegible] is proposed that will ensure that any produce sold [illegible] organic and of plant origin will be subject [illegible] EC [illegible] and inspection. Producers will then be able [illegible] market their [illegible] under an EC logo.

Organic [illegible] in Europe. *Special report No 2128 by William Tate. The Economist Intelligence Unit. [illegible] London W1A 1DW. [illegible]*

E Europe aluminium 'to dry up'

By Kenneth Gooding

ALUMINIUM [illegible] to the west from the former eastern bloc countries, currently more than 500,000 tonnes and equivalent to the output of two and a half smelters, are likely to disappear entirely by the end of the decade, according to the Anthony [illegible] Associates consultancy group. The industry's long-term investment plans must take account of the need [illegible] replace this source of supply, it [illegible] in its 1991 Aluminium Annual Review.

Bird also estimates that 1.8m to 1.9m tonnes of today's primary aluminium production capacity in the [illegible] is obsolete, compared with the 600,000 to 1m tonnes that the industry itself says needs replacing.

The review [illegible] the highest-cost smelters to be in Italy, where production costs (excluding interest and depreciation) are [illegible] a lb; followed by Germany (76 [illegible]) and [illegible] and Norway (70 [illegible]).

"The obsolescence problem makes it clear that a substantial amount of new investment [illegible] undertaken [illegible] and above what is currently being planned," [illegible] review [illegible]. The country's [illegible] Bird [illegible] aluminium companies are planning new investment as if they needed to expand capacity at about 3.2 per [illegible] a year.

The aluminium price required to stimulate [illegible] required investment in low-risk areas, such as Canada, is now about 77 cents a lb, Bird [illegible], "though it eventually will rise to about 83 cents in today's money. Accordingly, this is our estimate of the likely level [illegible] aluminium prices in the long term. However, [illegible] there is [illegible] much extra investment to be encouraged, prices may be rather higher than this [illegible] some years". On the London Metal Exchange [illegible] night the price of aluminium [illegible] delivery in three months [illegible] $1,472.50 a tonne.

Bird [illegible] aluminium consumption stagnated at 14.5m tonnes last year and will do the [illegible] in 1991. World economic [illegible] will stimulate aluminium consumption growth of about 5 per cent a year in 1992 and 1993. Consumption growth over the [illegible] period will [illegible] 3.6 per cent a year. From 1995 to 2000 annual consumption growth should be about 4.1 per cent.

Primary aluminium supplies this [illegible], including [illegible] production and 612,000 tonnes of former eastern bloc imports, will outrun demand so that stocks will rise by another [illegible] tonnes after a [illegible] increase in [illegible]. However, Bird predicts a 218,000 supply shortfall next year and suggests demand will be marginally ahead of supply each year for the rest of the decade.

"Aluminium Annual Review," [illegible] from [illegible] Associates, [illegible] Richmond Road, Kingston upon Thames, Surrey KT2 5DD, [illegible].

Western World Aluminium Supply and Demand ('000 tonnes)

Year	Consumption	Capacity	Production
1987	13,471	13,666	12,637
1988	13,922	14,070	13,537
[illegible]	14,462	14,407	14,098
1990	14,525	14,690	14,222
1991	14,577	15,234	[illegible]
[illegible]	15,336	15,745	14,719
[illegible]	16,066	16,511	15,538
[illegible]	16,763	17,197	[illegible]
1995	17,328	17,922	17,570
1996	17,948	18,666	18,601
1997	18,779	19,650	[illegible]
[illegible]	19,787	20,840	20,749
[illegible]	20,764	21,971	[illegible]
2000	21,503	22,842	[illegible]
2001	22,038	23,437	[illegible]

Source: Anthony Bird Associates

Italian capacity may close

By Kenneth Gooding

ANALYSTS YESTERDAY welcomed the [illegible] that Alumix, the state-owned Italian aluminium producer, might close some capacity.

Western aluminium output is at record [illegible], stocks are increasing and prices weakening. However, the highest-cost capacity is now in Europe where there is a considerable level of state ownership, so analysts previously held out little hope of closures.

Mr Jon Bergtheil, analyst with the James Capel financial [illegible] group, said: "This is an important development because the market consensus has [illegible] that, although the European aluminium producers [illegible] are losing money, they would not cut production".

Italian newspapers suggest that Alumix, part of the EFIM group, plans a restructuring involving 1,600 lay-offs among its 7,000 employees. The 31,000-tonne Marghera della Sava smelter is reported [illegible] be threatened.

Alumix produces 220,000 [illegible] of aluminium a year and is said [illegible] have suffered a L218bn (£99m) loss before extraordinary [illegible] in 1990 compared with a L9bn profit the previous year.

Mr Bergtheil said: "The Italian move may be the first in a series".

Iceland pins hopes on Atlantal plant

Robert Taylor on a project that could add 4 per cent to GDP

MANY ICELANDERS believe their country's hopes for greater prosperity in the future lie in the completion of the so-called Atlantal project. The construction, at a [illegible] of $1bn, of a 210,000-tonnes-a-year aluminium [illegible] at Keilisnes, 40 km ([illegible] miles) south of Reykjavik, could certainly [illegible] beneficial impact on the Icelandic [illegible]. The country's independent National Economic Institute calculates [illegible] it would add an extra [illegible] per [illegible] both to real disposable incomes and the gross domestic product by 1996.

[illegible] present a business consortium known as the Atlantal group is negotiating with the [illegible] government, the country's National Power company and local authorities [illegible] the project. The three foreign-owned [illegible] are [illegible] of the US; Granges, a division of Electrolux, the Swedish domestic [illegible] maker, and [illegible] Aluminium BV, of the Netherlands.

But agreement on [illegible] ahead with the project – first discussed more than three years ago – is taking much longer than expected and [illegible] original time-table has been adjusted more than four times already. After a [illegible] in [illegible] York in early February it was agreed that a further six months were needed to [illegible] loans necessary to [illegible] with the project.

Mr Jon Sigurdsson, Iceland's Industry Minister, believes [illegible] the negotiations can be completed by this May and final contracts exchanged by the autumn.

The [illegible] began in [illegible] when four European companies – [illegible] Metal, Alusuisse [illegible], a subsidiary of Hoogovens Steel, RTZ of the UK, and [illegible], the French aluminium group, formed the first Atlantal consortium to build a 90,000-tonnes-a-year smelter close to the Swiss Aluminium Company's [illegible] tonne aluminium [illegible] at Straumsvik, ten miles from Reykjavik.

[illegible] early hopes were not fulfilled and the original partners were replaced by [illegible]. A breakthrough had been predicted last autumn but failed to materialise, though a memorandum of agreement was signed covering a number of tricky [illegible] like taxation, [illegible] rates, environmental protection and general contract terms.

However, there is a [illegible] of increasing exasperation in some Icelandic political circles at the prolonged delay over the Atlantal project. "The [illegible] run [illegible] some head wind," admits Mr [illegible] Sigurdsson, the Industry Minister. "We had hoped to have contracts completed by now but there is uncertainty over the [illegible] of the smelter."

The consortium is [illegible] to raise funds for the construction of the smelter from American banks but it is hardly a good moment to do so. "I remain very confident that the project will go ahead. It is well [illegible] viable and logical," says Mr Johannes Nordal, the Central Bank's governor, who has played a key role in negotiations as chairman of the National Power Company.

However, Mr Olafur [illegible] son, the finance minister, is sceptical about the intentions of the [illegible] to really proceed with the smelter's construction. He believes the time has come to see whether any other foreign companies might be interested in the project.

It would certainly [illegible] a huge impact on the Icelandic economy if it does eventually materialise. The smelter will need around [illegible] megawatts a year of hydro-electric power to meet its production capacity, which amounts to about 75 per cent of the country's [illegible] consumption. This [illegible] the National Power Company having to construct two brand new power plants to [illegible] the [illegible] demand and these are expected to [illegible] years to complete.

However, until the Atlantal group project is finalised, work cannot really begin on the additional planned power plants that would cost an estimated $530m. "We are not willing to sign a deal to construct them until we have firm commitments on the smelter. We simply can't take the risk," admits Mr [illegible] son, general manager of the National Power [illegible], although he remains convinced that the project will go ahead eventually.

His optimism may be well placed. Even if the existing Atlantal project has to be modified, Iceland's future as a major aluminium producer cannot be in any doubt.

WORLD COMMODITIES PRICES

MARKET REPORT

[illegible] fell on the London bullion market, [illegible] fundamentals reasserting [illegible] two days of [illegible]. [illegible] in routine, mainly professional, trading, [illegible] said. The [illegible] is likely to [illegible] to move in its current narrow [illegible] a troy ounce range today barring [illegible] significant [illegible]. It remains capped by stiff [illegible] at $360. [illegible] LME [illegible] prices [illegible] this [illegible] in sterling terms. Routine [illegible] were mostly [illegible] by currency considerations, although sentiment was underpinned by overnight news of Cerro's two month closure and force majeure at its Sauget refinery. Lead edged ahead. [illegible] said the market could be underpinned today by [illegible] yesterday [illegible] Curragh [illegible] optimistic [illegible] at its Faro, Yukon, mine. The same news gave a [illegible] to zinc. London's robusta coffee [illegible] day's lows on [illegible] selling in thin [illegible]. "It [illegible] line of resistance [illegible]. A lot of people seem [illegible] long of the market and have given up waiting for the bull rally," one [illegible] said.

Compiled from Reuters

London Markets

New York

Chicago

[illegible]

LONDO[redacted] STOCK EX[redacted]HANGE

Yet another new p[redacted]ak for the F[redacted]otsie

ATTEMPTS to shrug off Wall Street's influence proved unsuccessful in the UK stock market yesterday and an early advance of 25 points to a new intra-day peak on the FT-SE Index was largely eliminated by the close. However, the net gain of 5.4 on the day put the Footsie at a new closing high of 2,524.5.

The less dynamic mood in equities was signalled in London's derivatives markets where the Footsie future contract gave back much of an early gain in its premium over cash. Currency factors gave some support to equities at mid-session as sterling steadied after the policy meeting at the West German Bundesbank produced no change in German interest rates. But international blue chips were held back by Wall Street's loss of 18 Dow points overnight as well as by the uncertainty over the next move in the US currency.

Early deals saw the UK market slightly easier until yet again the futures market came in strong when it opened at 8.30am with a sharp gain in the premium on the Footsie June contract.

Marketmakers were forced into the market to buy stock and a number of basket trades, in which futures and shares are traded in tandem, brought a swift turnaround in share prices. The Footsie Index moved from a 4 point loss to a 25.6 gain by mid-morning.

Gains were soon trimmed, but the investment confidence was then buoyed by the absence of any change in German rates, which encouraged hopes that UK base rates can be cut again soon, for the fourth time this year.

However, equities soon turned downwards as the premium on the Footsie future melted away and shares were further discouraged when Wall Street made an unimpressive start to its new trading session; the Dow was a shade down when the London market closed for the day.

Seaq volume slipped to 534m shares from the 704.1m traded in the previous session, and yesterday[redacted] total again took in a substantial proportion of intra-market deals. However, more detailed data from the London Stock Exchange shows that retail interest in equities has remained high, totalling £1.2bn on Tuesday, the first trading day after the Easter break.

The market absorbed two further modest rights issue, once again from the much-battered construction [redacted]ector, where Costain Group called for £77m and Ibstock Johnsen for £44m. Further cash calls are expected, and institutions still appear keen to take up stock by such funding.

Among the international sector, oil stocks continued to under-perform the market, although trading volumes were high. ICI remained depressed by the chairman's reference to lack of resilience in some areas of business, and Glaxo suffered from its association with Wall Street trends.

On the brighter side, the retail sector showed several firm features as equity analysts began to take a favourable view of prospects for a recovery in consumer spending.

The strength of the equity market since the Easter holiday has taken the FT-SE Index into a key testing area, according to Mr Matthew Bounds, technical analyst at Lehman Brothers. He warns that a Footsie close above 2,530 would point to a medium to longer term advance, but nevertheless there is a risk that the index could retreat from current levels. If the market continues to advance, Mr Bounds sees further significant testing points at FT-SE 2,700, 2,840 and 3,000.

Account Dealing Dates			
*First Dealings:	Mar 11	Apr 2	Apr 15
Option Declarations:	Mar 27	Apr 11	Apr 25
Last Dealings:	Mar 28	Apr 12	Apr 26
Account Day:	Apr 8	Apr 22	May 7

*New-time dealings may take place from 9.30 am two business days earlier.

Kingfisher back on buy lists

RETAIL group Kingfisher put in a good performance as two brokers recommended buying the stock in the wake of last week's final results.

Kleinwort Benson returned the company to its buy list, saying that 1992 onwards would see annual growth of more than 15 per cent. The shares attained a new high yesterday of 473p with an advance of 11, and the Kleinwort chart analyst suggested that the price could go higher.

S.G. Warburg, broker to the company, also recommended buying the stock on the basis of recovery prospects at B & Q, the do-it-yourself chain, and Comet, which sells white goods.

The three stocks the Warburg DCF analysis identified as "excellent long-term value" were Kingfisher, Argos, up 5 at 292p, and W.H. Smith, 10 higher at 285p. Smith's two-day improvement is 21, helped by a recommendation earlier this week from BZW and by hopes that the Net Book Agreement, which fixes book prices, will be abandoned. This could enable large retailers to gain market share by discounting.

BA moves lower

A pre[redacted] that British Airways would do no better than break even in the year to March 1992 caused turbulence yesterday which sent the stock down 8 to 163p. The market *expects profits (yet to be announced)* to be lower for the year just ended since the chairman warned last November that a positive second-half contribution was not anticipated.

Analysts have assumed losses could result from the increase in fuel charges combined with other factors resulting from the Gulf war.

Thereafter, the group's fortunes had been expected to improve, but yesterday BZW wiped out its 1992 profits estimate of £150m and inserted a new figure of zero. It also reduced 1991 expectations to *£120m from £200m*. BZW thought air traffic was recovering too slowly to be sure of the final dividend and anticipated a cut. At the same time, "BA represents fair value against other airline stocks", the investment house said.

International stocks showed none of the hesitation of the rest of the market in following Wall Street lower in early trading. The trend was underpinned by New York's lacklustre opening yesterday. The worst performers were Glaxo, down 15 to 1124p, ICI, 9 off at 1052p, and Reuters, 3 easier at 883p.

Hanson ended 1½ lower at 234½p, having touched 232p after BZW's sell note inhibited buyers. The broker said good profits from investment gains would be hard to repeat. Turnover was a good 10m.

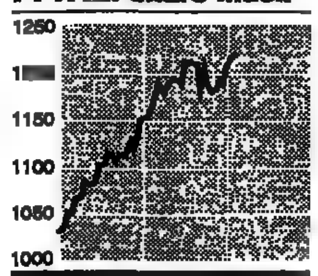
ADT was once again depressed by litigation from its 28 per cent stakeholder L[redacted]law, of Canada. The shares lost 5 to 82p, making a three-day fall of 12.

An early buy order for Reed International left the market short of stock. The rise of 10 to 468p (the peak was 470p) was helped by the knowledge that the company was making a presentation to Hoare Govett yesterday afternoon.

Advertising group WPP jumped 33 to 189p ahead of a long-awaited announcement that it had agreed a financial *restructuring with its lenders*.

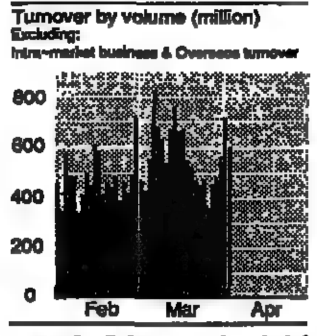
The latest cash calls from the building materials and construction areas came from Costain Group, the construction and mining company, and Ibstock Johnsen, the brick manufacturer. Both rights issues, £77m from Costain, and [redacted] from Ibstock, came as no great surprise to the market.

FT-A [redacted]-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



The lack of surprise was illustrated by the market's response; an initial reaction to mark down shares in both companies was followed by a fairly rapid recovery. Costain, cut to 211p at first, closed a net 5 higher at 220p following keen two-way trade of 4.5m, while Ibstock ended the session unchanged at 114p, after 110p.

Costain accompanied the cash call with results showing profits almost eliminated at £5.5m, after allowing for a £25m land write-down, compared with last year's profits of £57.7m. However, the *maintained dividend and promise of* the same for this year propped up the shares.

Beazer, after a bout of American buying, closed 12 higher at 183p, but Blue Circle, due to report preliminary figures on April 18, moved against the market and closed 4 off at 273p, as did BPB, the same amount down at 229p.

Burmah Castrol emerged from the pack in the oil sector, advancing 14 to 606p as the market picked up on the stock's recent underperformance and the beneficial effects to the group of the recent *weakening in oil prices*.

British Gas attracted heavy support and settled a further 6 better at 253p on 11m.

Enterprise remained under pressure and closed 8 lower at 567p after more stories that the oil group may be about to launch a big rights issue, or that Elf, the French state-owned oil group, could be about to sell its 25 per cent stake in the company.

Lloyds Bank advanced 8 to 369p on 2.8m after Hoare Govett pinpointed the bank's attractions in a sector Hoare suggested could be at the bottom of a new trading range. It was also said the shares were catching up after a period of relative underperformance.

Midland gained 6 to 212p on turnover of 6m, easily the biggest turnover in the sector.

Siebe rose in the wake of a visit by analysts on Wednesday. The group should benefit from the dollar's strong recovery, they said, and the shares have rallied appreciably from last year's low of 245p, which marked Siebe's largest acquisition, that of US group Foxboro. Siebe gained 8 more at 443p.

Rolls-Royce began promisingly, reaching 170p in brisk turnover, before retreating with the wider market to close only 2 higher on the session at 167p. In contrast, sell recommendations in the wake of the recent annual results ensured *dullness in Hawker Siddeley*, down 14 at 569p.

Rentokil recorded heavy volume as 5.78m shares were placed at a slight discount to the price in the market. S.G. Warburg was believed to have bought the stock at 262p and sold at 265½p. The stock came from KG Anker-Petersen Will Trust, of Denmark, which reduced its shareholding in the UK group to 5.45 per cent. Rentokil closed 2 off at 272p.

There was no stopping food retailing leaders in the wake of Tesco's better than expected figures on Wednesday. Tesco climbed 12 to 285p, J. Sainsbury moved ahead 11 to 374p and Argyll firmed 4 to 300p. Tesco's turnover was particularly high at 5.9m.

London Merchant Securities, the property and investment group, sold 7m shares in First Leisure at 248p, said to have been through Cazenove to institutions. LMS thereby cut its stake from 29.8 per cent to 25.3 per cent and First Leisure's shares receded 5 to 247p.

Positive comment from analysts on Friendly Hotels' final figures helped the shares climb 24 to 308p.

Vinten, which makes avionics and broadcast equipment, rose 9 to 223p. Commenting on the recent results, which were ahead of expectations, County NatWest thought long-term prospects for the company were not reflected in the price.

A bid approach, which could lead to an offer in the region of 100p a share, pushed Robertson Group to 98p before a close of 16 higher on the day at 91p.

■ Other Market statistics, including the FT-Actuaries share index, Page 21

FINANCIAL TIMES STOCK INDICES

	Apr 4	Apr 3	Apr 2	Mar 28	Mar 27	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.65	85.35	86.09	85.03	84.80	77.84	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.77	94.70	94.60	94.53	94.45	86.53	94.77 (4/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2007.2	2014.2	1985.8	1959.9	1985.8	1758.3	2014.2 (3/4)	1606.3 (16/1)	2014.2 (3/4/91)	49.4 (26/6/40)
Gold Mines	138.5	137.4	138.2	138.4	139.0	258.0	179.7 (14/1)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2524.5	2519.1	2488.3	2458.5	2464.6	2239.5	2524.5 (4/4)	2054.8 (16/1)	2524.5 (4/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1163.53	1164.84	1148.11	1137.08	1136.83	-	1148.11 (2/4)	938.62 (16/1)	1148.11 (2/4/91)	938.62 (16/1/91)
Ord. Div. Yield	4.82	4.80	4.86	4.94	4.91	5.08				
Earning Yld %(full)	8.72	8.69	8.80	8.94	8.90	12.08				
P/E Ratio(Net)(☆)	14.13	14.18	14.00	13.78	13.84	10.01				
SEAQ Bargns 4.45pm	62,934	56,978	39,408	44,540	42,946	34,007				
Equity Turnover(£m)†	-	1197.13	1183.74	1038.03	983.52	1142.09				
Equity Bargains†	-	56,911	45,958	46,893	43,811	36,888				
Shares Traded (ml)†	-	601.8	715.7	596.2	492.6	464.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 13.65

Ordinary Share Index, Hourly changes Day's High 2028.2 Day's Low 2006.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2010.4	2016.0	2021.2	2027.2	2021.1	2019.6	2018.3	2010.4	2006.6

FT-SE 100, Hourly changes Day's High 2544.7 Day's Low 2515.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2515.1	2525.6	2532.3	2544.2	2535.4	2535.4	2533.7	2526.6	2521.8

FT-SE Eurotrack 200, hourly changes Day's High 1168.70 Day's Low 1162.40

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1168.25	1168.06	1157.83	1164.83	1168.29	1164.64	1163.06

GILT EDGED ACTIVITY

Indices*	Apr 3	Apr 2
Gilt Edged Bargains	91.3	80.8
5-Day average	84.9	85.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	4,800	82	-5
ASDA Group	8,200	181	+2
Abbey National	2,800	277	-1
Albert Fisher	1,900	131	
Allied-Lyons	2,400	617	-1
Amstrad	1,900	61	
Anglian Water	490	303	+2
Argos	1,100	292	+5
Argyll Group	3,900	300	+4
Ass. Brit. Foods	718	481	+9
BAA	1,900	423	+8
BAT Inds.	1,300	794	+2
BET	3,400	170	-4
BICC	1,800	498	-7
BOC	870	595	+4
BPB Inds.	618	229	-4
BTR	2,300	419	+5
Bank of Scotland	1,200	141	+2
Barclays	1,900	465	+2
Bass	1,100	990	+4
Beazer	1,300	183	+12
Berisford Int.	1,200	39	+1
Blue Circle	738	273	-4
Boots	1,400	372	+7
Bowater	306	481	+4
Brit. Aerospace	1,100	648	-2
British Airways	4,800	163	-8
British Gas	11,000	253	+6
British Land	419	305	+5
BP	6,300	331	
British Steel	4,800	144	-3
British Telecom	9,100	381½	+2½
Bunzl	3,600	98	
Burmah Castrol	917	606	+14
Burton	2,500	104½	-½
Cable & Wire.	4,300	[illegible]	+4
Cadburys	1,400	394	-4
Calor Group	205	[illegible]	
Carlton Comms.	908	478	
Coats Viyella	1,300	162	-1
Coms. Union	485	536	+5
Cookson	1,700	127½	+1½
Courtaulds	1,400	417	-1

	Volume 000's	Closing Price	Day's change
Dalgety	523	379	+4
Dixons	1,700	180	+3
ECC Group	496	433	+2
Eastern Elect.	2,300	177	+4
East Midland Elect.	891	182	+6
Enterprise Oil	841	567	-8
Eurotunnel Units	984	495	-18
FKI	1,700	85	+2
Ferranti	2,900	18	+½
Fisons	1,400	482	-1
Gen. Accident	1,000	509	-2
General Elect.	6,200	202	
Glaxo	4,100	1124	-15
Glynwed Int.	681	277	-5
Granada	898	165	+2
Grand Met.	2,200	839	-1
GUS A	427	1282	+24
GRE	3,800	238	-2
GKN	761	380	+2
Guinness	1,800	914	+2
Hammerson "A"	30	625	
Hanson	10,000	234½	-1½
Hanson Warrants	260	44½	-1½
Harrisons Crosfield	1,200	135	-4
Hawker Sidd.	387	569	-14
Hillsdown	6,000	280	+10
IMI	794	247	
ICI	1,800	1052	-9
Inchcape	913	343	-1
Kingfisher	1,700	473	+11
Ladbroke	3,900	294	-2
Land Securities	1,000	547	
Laporte	270	671	+4
Legal & General	775	480	
Lloyds Abbey	887	497	-2
Lloyds Bank	2,800	369	+8
LASMO	1,800	347	
London Elect.	1,000	188	+4
Lonrho	2,100	159	-2
Lucas	1,400	164	-4
MB Caradon	287	297	-1
MEPC	891	507	+5
Manpower	1,100	72½	

	Volume 000's	Closing Price	Day's change
Manweb	879	230	+1
Marks & Spencer	5,800	250	+5
Maxwell Comms.	783	181	-2
Midland Bank	6,000	212	+6
Midlands Elect.	726	182	+4
NatWest Bank	1,909	338	-4
National Power	5,600	132½	-2½
Next	3,500	27½	
North West Water	1,400	287	+4
Northern Elect.	277	182	+5
Northern Foods	328	494	-1
Norweb	347	188	
Pearson	336	788	-12
P & O	902	614	-10
Pilkington	3,300	198	+1
PowerGen	8,700	129½	-2
Prudential	4,000	240	-1
RHM	1,700	327	
RMC	454	704	-5
RTZ	1,900	671	+2
Racal	5,300	229	+3
Racal Telecom	463	377	+6
Rank Org.	692	747	-1
Reckitt & Colman	266	1302	+18
Redland	799	550	+4
Reed Int.	2,100	468	+10
Reg. Elect. Ptg Uts	3	£1936	+45
Rentokil	11,000	272	-2
Reuters	1,500	883	-3
Rolls Royce	6,500	167	+2
Rothmans	455	[illegible]	+1
Ryl Bk Scotland	945	184	-2
Royal Insurance	507	480	-6
Saatchi	9,960	19	+1
Sainsbury	2,000	374	+11
Scottish & New.	2,700	[illegible]	+2
Sears	1,700	94	+1
Sedgwick	3,500	[illegible]	
Seaboard	487	180	+4
Severn Trent Water	1,200	222	
Shell Transport	3,800	484	+1
Siebe	1,500	443	+8
Slough Ests.	699	245	

	Volume 000's	Closing Price	Day's change
Smith (W.H.) A	1,100	285	+10
Smith & Nephew	3,300	130	+1
SmKl Beecham	1,800	785	+2
SmKl Beecham Uts.	225	3460	+17
Smiths Inds.	281	385	
Southern Elect.	1,400	182	+6
South Wales Elect.	695	255	+3
South West Water	382	300	-1
South West. Elect.	504	190	+3
Southern Water	308	298	-2
Standard Chartd.	631	388	+2
Storehouse	1,300	121	+3
Sun Alliance	778	385	+1
T&N	887	190	+1
TI Group	161	542	
TSB	4,500	162	-1
Tarmac	394	282	-1
Tate & Lyle	449	381	+4
Taylor Woodrow	883	270	-1
Tesco	5,980	284½	+11½
Thames Water	658	302	+2
Thorn EMI	616	747	+5
Trafalgar House	4,200	288	-10
Trusthouse Forte	1,500	276	-4
Ultramar	625	[illegible]	-5
Unigate	894	314	+4
Unilever	1,600	780	-2
United Biscuits	1,100	[illegible]	-3
Utd. Newspapers	645	375	+1
Water Package Uts.	0	[illegible]	+7
Wellcome	1,800	844	+6
Welsh Water	823	345	+1
Wessex Water	385	375	+5
Whitbread 'A'	1,600	478	-8
Wiggins Teape	1,500	230	
Williams Hldgs.	198	[illegible]	+2
Willis Corroon	1,100	324	+6
Wimpey	118	218	+1
Yorkshire Elect.	1,000	207	+3
Yorkshire Water	331	322	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Thursday until [redacted]

EQUITY FUTURES AND OPTIONS TRADING

THE STOCK Index futures market returned to leadership of the underlying equity sector yesterday, taking share prices sharply upwards in early trading but then cutting them back equally sharply. Futures traders commented, however, that genuine retail interest in derivatives was light yesterday and the ma[redacted]t was driven by inde[redacted] traders.

The futures [redacted] opened with the Footsie [redacted] future showing a premium of around 45 points against fair value compared with the cash market. There was a rash of basket trades, with several leading UK securities houses trading between futures and cash, and share prices rose sharply during the first half of the session.

However, the bounce went out of the market fairly quickly and there were sellers of the June contract at just below the day's peak of 2,596.

"Both futures and cash markets were easily turned down," commented one leading trader. Sentiment was further dampened when Wall Street made a slow start to the new session [redacted] premium on the June [redacted] quickly shrank to 30 [redacted] fair value. A slight [redacted] was made in late [redacted] as Wall Street rallied.

[redacted] traded options, Led[redacted] headed the active list [redacted] UK brokers bought stock and sold options so as to secure the dividend payment.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (276).
BRITISH FUNDS (12) Consld. 2½pc, Treas. 3pc '88, Do. 2pc IL 1988, Do. 2½pc IL 2001, Do. 2½pc 2003, Do. 2pc IL 2006, Do. 2½pc IL 2009, Do. 2½pc IL 2011, Do. 2½pc IL 2013, Do. 2½pc IL 2016, Do. 2½pc IL 2020, Do. 2½pc IL 2024, INT.BANK & O'SEAS GOVT. STLG. ISSUES (2) African Dev. 11[redacted] 2010, Int-Am. Dev. 12½pc 2003, LOANS (2) N'wide Anglia 3¾pc '21, Do. 4.25pc '24, AMERICANS (18) BankAmerica, Bowater Inc., Campbell Soup, Chase Manhattan, Citicorp, Colgate-Palmolive, Cont'l. Bk., Data Gen., Fluor, Greyhound Dial, Lone Star, Manuf Hanover, Merrill Lynch, Molex, Morgan (JP), Rep NY, Unileb, Utd. Tech., CANADIANS (6) Amer. Barrick Res., Bk. Montreal, Can. Imp. Bk., Echo Bay, Hawker Siddeley, Royal Bk. Can., BANKS (5) Abbey Natl., Bk. of Scot. 9¼pc Prf., Kyowa, Sumitomo, Woodchester, BREWERS (2) Guinness, Seagram, BUILDINGS (7) Baggeridge Brick, Beazer, Berkeley, Kajima, Mowlem (J), Sheffield Insulations, Tilbury, CHEMICALS (6) Akzo, Canning (W), Croda, *Hickson, Porvair, Yorkshire, STORES (18)* Cantors A, Coles Myer, Dunhill, Kingfisher, Do 8½pc Ln. 2000, OS, Sherwood, Smith (WH) A, T & S, Wickes, ELECTRICALS (18) BICC, Do. Cap. Fin. 10.75pc Cnv. 2005, Br. Telecom, Delta, Life Sciences, Logica, MMT Computing, MTL Instrs., Micro Focus, Philips Lamps, Prestwick, Racal, Racal Telecom, Sys. Reliability, TDK, Unitech, ELECTRICITY (2) Manweb, Sth. Wales, ENGINEERING (9) Beauford, Bromsgrove, Folkes, Johnson & Firth, McKechnie, Molins, Ransomes, Rotork, SKF, FOODS (19) Argyll, Ashley, Assoc. Fisheries, Banks (SC), Berisford, Brake Bros., England (J), Farepak, Geest, Iceland Frozen, Kwik Save, Low (Wm), M & W, Morrison (Wm) 5¼pc Prf., Nestle (Reg), Nichols (Vimto), Sainsbury (J), Shoprite, Tesco, HOTELS (2) Friendly, Resort, INDUSTRIALS (58) AGA, Amer. Bus. Sys., Amer Free A, BTR Wrrnts., Do. Wrrnts '92-93, Do Wrrnts '94-95, Baxter Inc., Beapak, Bibby (J), Bowater, Do. 7.75pc Prf., Boxmore, Brammer, Brandon Hire, Cassidy, C'bell & Armstrong, Community Hosp., Cooper (A), Courtaulds, ECC, Elan, Essalte, Fenner, Fisons, Fiorello C & W, Grampian, ISS-Ind. Serv. Sys., Inchcape, Ipeco, Kelsey, Lilly (E), Magnolia, Mitsubishi, Office & Elect., *Peterson Zochonis, Proudfoot, RCO, Reckitt* & Colman, Do. 9.5pc Cnv., Record, Reliance Sec., Robertson, Scapa, Securicor A, Serco, Siebe, Smithkl. Beecham [redacted] Equity Units, Smiths Inds., Spandex, Swire Pac. A, TT, Toye, Trafalgar Hse., UDO, Vinten, Wellco[redacted] Whatman, INSURANCE (8) Amer. Gen., Amer. Intl., Aon, Bradstock, Travelers, Willis Corroon, LEISURE (9) Barr & WAT A, Boosey & Hawkes, Campari, Classic Th'breds, Kunick, Do. 8¼pc Prf., Owners Abroad 9.75pc Prf., Stanley, Wembley, MOTORS (3) FR, Perry, Volvo, NEWSPAPERS (4) BPP, [redacted]ws Corp., Reed, Trinity, PAPERS (12) Abb[redacted] Mead Vickers, CIA, Fitch-RS, Do. 8p C[redacted] 2007, Gold Greenlees, Lopex, Repola, [redacted]A B Free, Saatchi 6.3pc Prf., Shandw[redacted] Smith (DS), Watmoughs, PROPE[redacted] (4) Br. Land 8¾pc Cnv., Ests. & Gen., [redacted]d Lease, Slough Ests. 12¾pc [redacted]EXTILES (2) Courtaulds, Lewis, TOBACCOS (2) BAT, Rothmans B, TRANSPORT (7) BAA, Dawsongroup, GATX, Interlink Exprs., Norish, Ocean, TNT, TRUSTS (38) Archimedes Inc., Caledonia, Carlisle, China & Eastern, Derby, Drayton Asia Wrrnts, Equity Consort Deld., F & C Pac. Wrrnts., F & C Smaller Co's., Five Arrows Chile, Do. Wrrnts., Fimng. Amer. Cnv. 1999, Fimng. *Enterprise, Fimng. Far Eastern, Fimng.* Fledgeling, Fimng. Int'l. High, GT Chile Fd. Units, Genesis Chile, INVESCO MIM, Do. 9pc '95-2000, JF Fldng. Japan, Do. Wrrnts., JF Pac. Wrrnts., Jersey Phoenix, Jove Inc., Lancs. & London, Leveraged Opportunity, Martin Currie Pac. Wrrnts., Pac. Assets, Do. Wrrnts., River Plate Cap., Rolinco Sub., SPLIT Inc., Scot. Natl. Inc., Do. Stppd. Prf., Second Mkt., Siam Fd. (Cayman) Prf., Sphere Zero Prf., Temple Bar 8pc Cnv. 2002, OILS (6) Burmah Castrol, Global Natrl. Res., Hardy, LASMO 9⅝pc Prf., Pittencrieff, Woodside, MINES (8) ACM, Ang. Amer. Coal, Delta Gold, Gwalia Cons., Indonesian Diamond, Ivernia West, Nth. Brkn. Hill Peko, RTZ.

NEW LOWS (27).
AMERICANS (1) Utilitech, CANADIANS (1) Nth. West Gold, BREWERS (1) Wiltshire, BUILDINGS (1) Jackson, STORES (2) Fired Earth Tiles, Usher (F), ENGINEERING (1) Cronite, INDUSTRIALS (7) Assoc. Nursing, Central Sheerwood, Ibex, Nu-Swift, Rentaminster, SEP, Wyndham, LEISURE (1) BCE, NEWSPAPERS (1) Sterling Publs., PROPERTY (4) Dunloe Hse., Hardanger, Lon. Secs. 8pc Prf., Waterglade, TRUSTS (2) Murray Ent. Zero Ln. '94, Worth, OILS (3) Atlantic Res., Cairn Energy, Ex. Co. Louisiana, MINES (2) Europa Minerals, Young.

APPOINTMENTS

Schroders man[redacted]ging director

■ Mr N. R. MacAndrew has been appointed to the board of SCHRODERS in succession to Mr Strickland as group managing director, finance, strategic planning and information technology. Mr MacAndrew, a chartered accountant, was appointed a director of J. Henry Schroder Wagg & Co in 1982. On his return to London from Hong Kong in 1990 he was appointed head of North American marketing for the investment banking division, a position he will continue to hold in addition to his new responsibilities for Schroders.

■ Mr Richard Brewster has been appointed a non-executive director of THE BANKERS INVESTMENT TRUST.

■ Mr Bob Maiden, the former managing director of THE ROYAL BANK OF SCOTLAND who retired on March 31, is joining the boards of the two European Community banks which the Royal owns jointly with its alliance partner, Banco Santander.

The two banks concerned are CC-Banque Belgique SA, based in Brussels, and CC-Bank AG, headquartered in Moenchengladbach, Germany.

Mr Maiden joins the board of the Belgian bank immediately and will become deputy chairman of the supervisory board of the German bank at its annual meeting on April 17.

■ Mr Don Almond *(pictured)* has been appointed managing director of JOSEPH ASH & SON, the Birmingham-based galvanizers, in succession to Mr Henry Scaldwell who has retired. Mr Almond joins from Cope Allman International where he was managing director of the group's specialist plastics packaging company in Portsmouth.

■ ELGA, the water purification specialist, has apppointed Mr Keith Rippington as its managing director. He was sales and marketing director of the laboratory division.

■ THE MATSURA MACHINERY CORPORA[redacted] of Fukui City, one of Japan's largest machine tool manufacturers, has appointed Mr Jeremy Gough as managing director of its new technical centre in Britain. The centre is at the headquarters of Beaumont Machine Tools at Coalville, Leicester, of which Mr Gough is also managing director.

■ SWISS BANK CORPORATION has appointed Mr Peter Griffiths as a director within the merchant banking group at its London office. Mr Griffiths will be responsible for the formation of the export finance group which will complement the present export/trade activities already in existence. He joins SBC from Chase Investment Bank, London.

■ SUN LIFE CORPORATION is appointing Mr Peter Clark as its chief actuary at Sun Life Group and Sun Life Assurance Society on May 7.

Mr Clark, group deputy actuary of Prudential Corporation, will join the boards of both the Corporation and the Society.

■ HOGG GROUP has appointed Mr Gary Griffith to the board. Mr Griffith will become chief operating officer of the US subsidiary Republic Hogg Robinson, working with Mr Charles Keller who becomes chairman.

Prior to joining the group he was president and chief executive officer of Coroon & Black California.

■ LAWSON MARDON GROUP has appointed Mr D.M. Bisdee as commercial director, LMG York. He joined LMG from International Colour Management where he was director of marketing.

■ Dr Geoffrey May has been appointed director of research and development of HAWKER BATTERIES, part of the Hawker-Siddeley Group. He joins from Barton Abrasives where he was managing director.

Directors at Charterhouse Bank

■ CHARTERHOUSE BANK has appointed the following directors: Mr Neil F. Fryer, Mr Alan S. McRae, Mr J. Paul Roby, Mr David P. Dancaster and Mr Atholl D. Turrell.

Mr Robin D. Poynder, Mr Dennis A. Sweeney, Mr Andrew P. Walker, Mr Peter D. Bowman, Mr Lawrence W. Guthrie, Mr Benjamin Money-Coutts, Mr Ian Barrass, Mr Gareth I. Craig and Mr Christian Tyson become assistant directors.

■ Mr Peter Williams has become manufacturing director at CLARKE FOODS (UK). Mr Williams was co-founder and technical director of Classic Ices, which was acquired by Hillsdown in 1985. Clarke Foods acquired the ice cream division of Hillsdown in March 1991.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1991 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1991 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1991 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1991 High	Low	Stock	Price £	+ or -	Yield (1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

1991 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1991 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

1991 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1991 High	Low	Stock	Price	+ or -	Div Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1991 High	Low	Stock	Price	+ or -	Div Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1991 High	Low	Stock	Price	+ or -	Div Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

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BANKS, HP & LEASING

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£11¼	£9¾	ABN Amro Fl5	£11	–⅛	Q30%	●	4.2	●
151	121	ANZ SA1	146	–1	Q38c	1.9	11.4	4.7
284	211	Abbey National 10p	277	–1	9.5	q3.0	4.6	9.6
183	126	Allied Irish Ord	178	–1	†Q40%	3.3	5.0	8.1
65	53	Anglo Irish	68	.....	Q18.6%	2.3	7.0	7.9
60	38	Ansbacher (H.) 1p	38xd	.....	1.5	0.3	5.3	–
£55¾	£42½	Bancaire Cie Fr100	£50⅞	–⅝	Q15%	–	3.1	–
£17¼	£12½	Banco Bilbao Viz	£17¼	–¼	Q49.1%	2.7	4.8	7.8
£30½	£21	Banco de Santander	£30⅛	.....	Q28.7%	2.3	4.0	10.7
208	139	Bank Ireland IrE1	202	–1	Q14.7%	2.9	6.5	7.1
£19½	£19½	Bank Leumi	£19½	.....	–	–	–	–
350	350	Bank Leumi (U.K.) £1	350	.....	16.0	–	6.1	–
145	111	Bank Scotland	141	+2	†4.55	3.4	4.3	9.0
110	96½	Do. 9¼pc Irrd Pf £1	106¼	+1	9¼%	–	11.6	–
110¼	99½	Do. 9¾pc Irrd Pf £1	110¼	+1	9¾%	–	11.8	–
43	35	Bank of Wales	43	.....	2.8	0.8	8.7	(20.7)
489	327	Barclays £1	465	+2	21.15	1.1	6.1	19.3
12	9	Benchmark 20p	10	.....	0.75	–	10.0	–
250	195	Brown Shipley £1	250	.....	†12.0	2.2	‡	8.1
464	384	Cater Allen £1	461	.....	F24.5	–	7.1	–
44	36	Chancery	36	.....	†9.0	2.7	‡	1.4
£18⅝	£15	Commerzbk DM10	£18⅝	+⅛	Q18%	–	3.4	–
£231½	£191	Deutsche Bk DM50	£211½	–2½	Q28%	–	2.2	–
£9¾	£7	Dai Ichi KBk Y50	£9¾	–⅛	Q17%	6.2	0.3	46.1
£18½	£16¼	Espirito Santo	£18¼	+⅛	Q75c	5.1	2.3	8.5
213	152	First Nat. Fin. 10p	206	–1	13.0	1.2	8.4	(12.2)
110	78	FNFC 6.3pc Cv Pf £1	108	+1	6.3%	–	7.8	–
1097	867	Fuji Bank Y50	1087	–10	†Q17%	6.9	0.1	46.3
355	303	Gerrard & National	348	.....	19.0	–	7.3	–
78	50½	Guinness Mahon 10p	51	.....	1.45	–	3.8	–
302	204	Hambros 20p	281	–2	†11.5	–	5.5	–
125	90	Do. 7.5pc Cv Pf £1	116	–1	7½%	–	8.6	–
44½	29½	HK & Shang. HK$2.50	44½	.....	Q38.18c	–	6.3	–
413	378	Joseph (Leo) £1	408	.....	15.85	–	5.2	–
153	121	King & Shaxson 20p	152	.....	10.25	–	9.0	–
377	249	Kleinwort Benson Grp	338xd	–3	16.0	–	6.3	–
485	382	Kyowa Bk Y50	485	+1	Q14%	3.8	0.6	45.9
379	268	Lloyds £1	360	+9	15.5	1.6	5.7	14.7
63	47	Lon. Scot. Bank 10p	62	.....	2.75	1.7	5.9	11.4
214	150	Midland £1	212	+6	9.0	–	5.7	–
£10½	832	Mitsubishi Bank Y50	£10	–⅛	†Q17%	●	0.3	●

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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MOTORS, AIRCRAFT TRADES

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
80	50	ABI Leisure 10p	80	.....	3.1	4.4	5.2	5.5
£7¾	£5¼	DAF N.V. Fl5	£7¾	+¼	–	–	–	–
109	79	General Mtrs Units	187	–2	Q12½%	–	6.5	–
14	9	March Group 5p	14	.....	B–	–	–	–
£135¼	£101	Volkswagen DM50	£124½	–1	Q22%	3.5	3.0	9.7
£30	£18	Volvo AB 'B' Kr25	£30	+1	Q62%	♦	4.6	♦

Commercial Vehicles

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
158	119	ERF (Hldgs)	153	–1	‡10.0	1.6	‡	9.3
73	48	Plaxton Grp	58xd	.....	4.5	♦	10.3	♦

Components

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
468	453	Abbey Panels	468	.....	3.5	10.8	1.0	12.4
140	123	Airflow Streamlines	139	.....	6.0	3.0	5.8	7.7
147	140	Bostrom 5p	143	.....	‡5.75	3.1	5.4	6.5
196	145	Dowty 50p	185	+1	†9.0	2.1	6.5	8.9
180	115	FR Group	180	+2	6.37	3.1	4.7	9.2
120	69	Kwik-Fit Hldgs. 10p	106	.....	2.75	♦	3.5	♦
173	125	Lucas Inds.	164xd	–4	7.0	2.2	5.7	9.3
36½	18	Do. Warrants	35½	+1	–	–	–	–
60	47	Mid-States 10p	59	.....	s20.75	–	1.7	37.1

Garages and Distributors

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
24	14	Alexanders 10p	18	–1	1.0	3.4	7.4	4.9
110	60	Appleyard 10p	95xd	.....	7.8	♦	10.9	♦
80	65	Bletchley Motor 20p	80	.....	†7.5	1.9	12.5	5.7
403	360	Caffyns 50p	363	.....	11.5	1.0	4.2	(33.1)
111	88	Central Motor Auctns.	111	.....	3.5	2.7	4.2	10.6
36	15	Cook (D.C.) Hldgs 5p	24	–1	1.0	5.3	5.6	4.5
92	36	Cowie (T.) 5p	80	–1	3.7	1.7	6.2	11.1
105	76	Dagenham Motors 10p	105	.....	‡5.25	2.8	6.7	7.3
91	70	Davenport Vernon 10p	88	.....	4.0	2.4	6.1	9.0
229	158	Evans Halshaw	224xd	+5	11.25	♦	6.7	♦

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST—Contd

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's

Abbey Unit Tst Mngrs (1000)H

80 Holdenhurst Rd, Bournemouth 0345 717373

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible] on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is [illegible] in the price of units.

OFFER PRICE: [illegible] price. The price at which [illegible] by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the [illegible] might be moved to the cancellation price [illegible] at any time, usually in circumstances [illegible] there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

■ Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Swiss Life Unit Tst Man Co Ltd (1200)F						
Admin 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
Equity Dist	5½	427.7	435.4	460.7	+1.9	3.65
Equity Acc	5½	594.9	605.7	640.9	+2.7	3.65
Fixed Int Dist	5½	113.3	115.3	119.5	+0.1	8.53
Fixed Int Acc	5½	240.9	245.5	254.4	+0.4	8.53
UK Index Track Dist	5	99.44	100.5	106.3	+0.4	4.15
UK Index Track Acc	5	104.0	105.0	111.1	+0.4	4.15
TSB Unit Trusts (1200)H						
Charlton Pl, Andover, Hants, SP10 1RE 0264 346794						
TSB American	6	134.47	135.4	144.04	+1.52	0.37
Do Accum	6	146.99	148.01	157.45	+1.46	0.37
TSB Brit Growth	6	74.06	75.25xd	80.05	+0.22	3.25
Do Accum	6	82.96	84.29xd	89.67	+0.25	3.25
TSB European	6	74.4	74.73	79.49	-0.02	1.08
Do Accum	6	77.1	77.44	82.38	-0.02	1.08
TSB Extra Income	6	165.06	168.53xd	179.28	+0.49	5.09
Do Accum	6	238.02	243.02xd	258.53	+1	5.09
TSB Smaller Cos.	6	44.91	46.47xd	49.43	+0.15	2.61
Do Accum	6	47.53	49.17xd	52.3	+0.15	2.61
TSB General	6	230.02	[illegible]	244.7	+1	3.45
Do Accum	6	429.2	[illegible]	456.59	+1.88	3.45
TSB Premier Income	5	44.37	[illegible]	46.86	+0.21	8.67
Do Accum	5	79.4	[illegible]	83.86	+0.37	8.67
TSB Income	6	310.1	[illegible]	335.63	+0.7	4.77
Do Accum	6	576.47	[illegible]	623.95	+1.32	4.77
TSB Pacific	6	235.5	[illegible]	252.65	-1.05	0.37
Do Accum	6	245.04	[illegible]	262.88	-2.1	0.37
TSB International	6	396.56	[illegible]	421.87	+2.15	0.84
Do Accum	6	508.67	[illegible]	541.13	+2.76	0.84
TSB Nat Resources	6	62.99	[illegible]	67.51	+0.5	0.4
Do Accum	6	68.56	[illegible]	73.35	+0.6	0.4
TSB Gilt & Fixed Int	6	80.15	[illegible]	87.08	+0.44	2.98
Do Accum	6	96.55	[illegible]	104.91	+0.53	2.98
Environmental Inv	6	47.32	[illegible]	51.23	+0.45	2.01
Do Accum	6	48.82	[illegible]	52.8	+0.46	2.01
TSB Selector	6	49.33	[illegible]	53.3	+0.19	3.74
Do Accum	6	50.83	[illegible]	54.92	+0.2	3.74
TSB High Income	6	52.08	[illegible]	56.46	+0.17	6.21
Do Accum	6	53.46	[illegible]	57.96	+0.17	6.21
TSB Intl Income	6	49.19	[illegible]	52.62	+0.19	6.74

	Bid Price	Offer Price	+ or -	Yield Gross
M & G Securities Ltd				
Charibond	101.82	101.82	+0.2	10.99
(Accum Units)	554.49	554.49	+1.2	10.99
NAAACIF Apr 3		42.84	.....	9.49
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Apr 2	127.1	136.1	.....	2.87
UK Small Co † Apr 2	515.3	554.8	.....	1.93
Fixed Interest † Apr 2	107.9	113.5	.....	7.85
US Small Co Apr 2	150.0	160.4	.....	0.00
Managed Apr 2	106.43	113.08	.....	1.27
Intl Bond Apr 2	111.8	118.0	.....	7.75
Japan Apr 2	73.86	79.00	.....	0.86
European Apr 2	85.25	91.44	.....	1.61
Nth American Apr 2	104.0	111.8	.....	1.26
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Apr 3	49.09	51.05	.....	2.81
Euro Expt Apr 3	[illegible]	52.65	.....	2.31
Fixed Int. Ex Apr 3	[illegible]	47.85	.....	10.27
Japan Expt Apr 3	[illegible]	48.19	.....	0.60
Managed Ex Apr 4	43.99	45.75xd	-0.25	4.40
SE Asia Expt Apr 3	[illegible]	73.42xd	.....	3.76
Sm Cos Expt Apr 3	33.15	34.80	.....	4.51
UK Eqty Ex Apr 3	41.83	43.95xd	.....	3.86
Phillips & Drew Fund Management Ltd				
Small Co's Apr 2	707.1	752.0xd	+19.4	4.5
Do Accum	798.8	849.4	+26.6	4.5
Int Expt Apr 2	174.4	177.8xd	+0.7	2.41
UK Index Apr 2	1160.0	1189.0xd	+9.0	4.9
Do Accum	1249.0	1273.0	+18.0	4.9
Convertible Mar 29	94.69	97.64	.....	7.82
World ex UK Index Apr 1	781.4	791.0	.....	1.86
Do Accum	781.4	791.0	.....	1.86
Japan Index Apr 1	609.2	617.6	.....	0.60
Do Accum	610.7	619.0	.....	0.60
USA Index Apr 1	957.8	963.3	.....	3.23
Do Accum	981.4	987.1	.....	3.23

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd.	105.2	110.7	+0.4	–
Pension Managed Fd.	102.3	107.6	+0.3	–
Life Deposit Fd	105.7	111.3	+0.1	–
Pension Deposit Fd	110.3	116.1	+0.1	–

National Financial Management Corp PLC
72 Gatehouse [illegible] Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	111.7	122.1	+1.5	–
Managed Growth	138.5	151.4	+1.6	–
Managed Opportunity	136.1	149.6	+1.7	–
NFMC Target Financial	103.5	111.3	+1.4	–
Pension Funds				
Managed Cautionary	120.0	130.5	+1.1	–
Managed Growth	145.1	158.6	+1.7	–
Managed Opportunity	137.6	150.4	+1.4	–
NFMC Target Mngd Pen	1509.0	1640.3	+5.9	–

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	160.1	168.6	–	–
UK Equity	169.1	178.1	–	–
Overseas Equity	133.3	140.4	–	–
Fixed Interest	143.1	150.7	–	–
Property	130.6	137.5	–	–
Index Linked	146.3	154.1	–	–

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	156.0	165.0	[illegible]	–
Accum Equity	221.5	234.0	[illegible]	–
Accum Managed	227.5	240.0	[illegible]	–
Accum Five Star	170.0	179.5	[illegible]	–
Accum World	122.5	129.5	[illegible]	–
Accum Lifetime	113.3	113.3	[illegible]	–
Pens Acc Equity	242.0	255.0	[illegible]	–
Pens Acc Managed	285.0	300.5	[illegible]	–
Pens Acc Intl	209.5	221.5	[illegible]	–
Pens Acc Deposit	195.0	205.5	.....	–
Pens Acc Five Star	187.5	197.5	+1.5	–

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	229.2	241.8	+5.0	–
UK Fixed Int Acc	169.6	179.0	+0.1	–
Intl Equities Acc	176.8	186.5	+2.2	–
UK Managed Acc	173.9	183.4	+2.2	–
Property Acc	225.8	238.2	[illegible]	–
Money Acc	127.2	134.2	[illegible]	–
Special Market Acc	129.5	136.7	[illegible]	–
Japan Equity Acc	107.8	113.8	[illegible]	–
North American Acc	103.9	109.7	[illegible]	–
Pacific Acc	93.4	98.6	[illegible]	–
Technology Acc	120.6	127.3	[illegible]	–
Nat Resources Acc	54.1	57.1	[illegible]	–
European Acc	101.0	106.6	[illegible]	–
Residential Prop Acc	96.3	101.6	[illegible]	–
Swiss Equities Acc	35.4	37.4	[illegible]	–
Hong Kong Acc	63.9	67.5	[illegible]	–

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Holborn Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

	Bid Price	Offer Price
Gartmore Global Ser B	162.6	171.2
Gartmore RA Ser B	97.4	102.6
Gartmore Pacific Ser B	251.9	265.2
Henderson Acc Ser B	187.5	197.4
Perpetual Mng Ser B	194.6	204.9
Framlington Mn Ser B	176.8	186.2
Gartmore Mngd Ser B	207.3	218.3
Gartmore Euro Ser B	141.0	148.5
Gartmore Global Ser D	103.3	103
Gartmore RA Ser D	111.6	111
Gartmore Pacific Ser D	133.8	133
Henderson Acc Ser D	140.2	140
Perpetual Mng Ser D	143.7	143
Framlington Mn Ser D	142.8	142
Gartmore Mngd Ser D	172.3	172
Gartmore Euro Ser D	109.0	109
Baring Funds		
Australia	66.3	69
Eastern	229.9	242
European Smllr Cos	140.5	147
Japan Sunrise	134.8	141
Managed	146.3	154
MIM Britannia		
European Smaller	126.1	132
US Smlr Co's	112.1	118
Extra Inc	142.3	149
Sth & East Asia Gwth	179.4	188
Gold	31.0	32
Inc Growth	271.4	285
Japan Perf	247.8	260
Japan Smlr Cos	208.2	219
Nat High	236.5	248
Prop Shares	143.8	151
Smaller Cos	189.5	[illegible]

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd
40 Uxbridge Rd, W5 2BS. 081-567 0700

	Bid Price	Offer Price	+ or -	Yield Gross
Shield Life Mngd	122.3	128.7	+0.5	–
Shield Pensions Mngd	127.4	134.1	+0.6	–
Shield Secure	113.2	119.1	.....	–
Shield Secure Pens	124.6	131.2	.....	–
Shield Brunel	131.1	137.9	+0.7	–
Shield Brunel Pens	137.8	145.0	+0.8	–

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC
101 London Rd, Sevenoaks 0732 450161

	Bid Price	Offer Price	+ or -	Yield Gross
Group Pension Funds				
Equity Managed	£421.63	434.05	.....	–
Fixed Int Managed	£237.51	238.70	.....	–
Property Managed	£288.14	297.05	.....	–
Mixed Managed	£317.19	327.00	.....	–
Cash Managed	£236.49	236.49	.....	–
International Mngd	£182.50	188.14	.....	–
Corlow Managed	£95.35	98.29	.....	–
Index Tracking Mngd	£100.47	103.75	.....	–
Individual Pension Funds				

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Westgate Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

Allied Dunbar Assurance

Allied Dunbar International

CMI Insurance Co Ltd

CMI Insurance Co Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Dollar Funds				
Bunnies Equity	£0.4580	0.4930	-0.002	–
Australasian Equity	£0.5310	0.5720	+0.001	–
Canadian Equity	£0.4650	0.5010		–
Japanese Equity	£0.5070	0.5460	+0.001	–
US Equity	£0.4650	0.5010	+0.001	–
SE Asia Equity	£0.5850	0.6300	+0.003	–
US Bond	£0.4690	0.5050	+0.005	–
Japan Bond	£0.4280	0.4610	+0.007	–
USS Currency Reserve	£0.4710	0.5070	+0.001	–

Eagle Star Int'l Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fidelity International Ltd

Fieldtone Life Assurance Co Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

David R. Aaron Overseas Fin. Plans Ltd

The Analysis Group PLC

Atlas Investment Services Ltd

Bryan Wells & Partners Ltd

James Campbell & Son Financial Services
38 Railway Rd, Coleraine Co. Londonderry 0265 44321

	Bid Price	Offer Price	+ or -	Yield Gross
Executive Pension	121.6	128.0	+0.8	–
Investment Portfolio	160.3	168.8	+1.4	–

Chase de Vere PLC
63 Lincoln's Inn Fields, London WC2A 3JX 071-404 5766

	Bid Price	Offer Price	+ or -	Yield Gross
New Trust Fd	101.4	106.7	.....	–
Safeguard Fd	95.9	101.0	+0.3	–
United Kingdom Fd	150.7	158.3	+0.5	–
Worldwide Fd	114.5	120.5	-0.9	–

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Glen Rolls Ltd

Gartmore Fund Managers Ltd

Hornbuckle Financial Services (Pty) Ltd

I.P.S. Limited plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macartney & Dowie F.S. Ltd

Northern Rhoys & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Sharp (Albert E.) & Co.

Stitals Fund Managers Limited

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mangt (Guernsey) Ltd

BDO-Henderson Asset Mngmt (Guernsey) Ltd

Barings Intl Fd Managers (Guernsey) Ltd

Grofund Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd
PO Box 255, Guernsey 0481 715454

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Dentrust Management (Guernsey) Ltd

Fleet-Cessel Fund Mngrs (Guernsey) Ltd

John Govett Mngmnt International Ltd

Hambros Fund Managers (CI) Ltd

Havelet Thrupp Mngmt Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stonehage Fund Mngrs Ltd

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Top Brand Fund Intl—SICAV (u)				
Top Brand Fd Intl	$14.20	14.921	-0.05	1.34
Inv Ad Warburg Asset Mngt London				
Transworld Bond Trust				
NAV	$11.00		..	–
US Pacific Stock Fund (u)				
NAV	$16.88		.....	–
Unibank SA, Frontrunner I (u)				
Equities 92	Ecu74.31		..	–

	Bid Price	Offer Price	+ or -	Yield Gross
GT Management Plc—Contd.				
GT Global Small Cos (z)	$15.68		+0.31	–
GT Glbal Tech Fd (z)	$18.55		+0.25	6.47
GT Hong Kong Fd (z)	$33.53		-0.25	3.25
GT Hshu Pider (z)	$13.35		+0.07	–
GT Investment Fd (z)	$15.51		+0.12	0.26
GT Jap OTC Stocks	$11.33			–
GT Jap Sm Cos (z)	$16.56		+0.79	0.42
GT Korea Fd (z)	$5.66		-0.01	–
GT Newly Ind Co Fd (z)	$29.78d		-0.20	1.80
GT Technology Fd (z)	$45.53		+1.25	–

	Bid Price	Offer Price	+ or -	Yield Gross
NM Financial Mngt Intl Ltd				
Int Resident Prop Fd	1.0903	1.0081	..	4.00
The New Zealand Fund				
Manager Leadenhall Offshore Ltd				
The NZ Fund	55.56	5.951	..	–
Newport International Management				
Npt Intl Securities	$39.81			–
Npt Intl Inc Fd	$20.03			–
Npt Pacific	$28.26			–

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar lower before jobs data

THE DOLLAR moved lower yesterday as the market gave up gains which followed the Bundesbank's decision not to raise [illegible]terest rates and instead worried more about the slowdown in the US economy.

The Bundesbank had already hinted to the market via its daily credit operations that it would not be raising rates. But doubts persisted and [illegible] [illegible]man central [illegible] announcement at [illegible] council meeting [illegible] a temporary boost to the dollar.

There was insufficient support for the US currency at the higher levels and by the time the New [illegible] market opened it was already starting to drift lower.

The [illegible] [illegible] the latest weekly unemployment figures jolted the market and sent the dollar almost a pfennig lower against the D-Mark. New applicants for unemployment insurance benefit in the week ended March 23 rose to 543,000 compared with expectations of 500,[illegible]00, and [illegible]10,000 the previous week.

Although [illegible] weekly unemployment figures are erratic and usually have little impact [illegible] currencies, yesterday's announcement struck a chord with [illegible] market which [illegible] beginning to worry about today's important monthly employment data. A Money Market Services survey of [illegible] found an average expectation of a 137,000 decrease in non-farm payroll employment in March, [illegible]pared with the 184,000 drop in February.

By the close of London trading, economists had revised down their projections for the March figure, while foreign exchange dealers said the market was now expecting a drop of 200,000.

Suggestions of a large drop in employment has led [illegible] renewed talk that the Federal Reserve may ease monetary policy. However, economists said that the currency market [illegible] reading [illegible] much into the weekly unemployment [illegible] to dra[illegible] [illegible]uch firm conclusions about US monetary policy.

Nevertheless, the doubts remained, and the dollar closed lower against most currencies. It finished weaker at SFr1.4025 from SFr1.4140; at Y136.25 from Y137.30, but higher at DM1.6670 against DM1.6640 and at FFr5.6450 from FFr5.6425. The dollar's index, calculated by the Bank of England, finished at 64.8, down 0.2.

The Bundesbank's decision not to alter monetary policy depressed the mark, particularly against the [illegible] franc, sterling and the yen. The German currency ended [illegible] SFr0.8420 against SFr0.8500 and at Y81.74 from Y82.71.

Sterling was firmer particularly against most European Monetary System currencies. The pound [illegible] higher at DM2.9750 from a previous DM2.9625; [illegible] FFr10.0725 from FFr10.0500; it was lower [illegible] Y243.00 from Y245.00. Sterling's index was unchanged at 92.7.

The ECU is added to the exchange cross rates table on this page, starting today.

EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.428	−4.64	6.13	81
Sterling	0.696904	0.692587	−0.62	1.84	11
Italian Lira	1538.24	1531.59	−0.43	1.64	[illegible]
Belgian Franc	42.4032	42.3649	−0.09	1.30	12
D-Mark	2.05586	2.05905	0.16	1.05	0
Dutch Guilder	2.31643	2.32033	0.17	1.05	0
Irish Punt	0.767417	0.770801	0.44	0.76	−13
Danish Krone	7.84195	7.90209	0.77	0.43	[illegible]
French Franc	6.89509	6.97812	1.20	0.00	−57

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positi[illegible]e denotes a weak [illegible]rrency. Divergence shows the ratio between two spreads: the percentage difference [illegible] the actual market [illegible] Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Apr 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7635 - 1.7855	1.7840 - 1.7850	0.89-0.87cpm	5.92	2.58-2.55pm	5.75
Canada	2.0380 - 2.0630	2.0620 - 2.0630	0.49-0.41cpm	2.62	1.39-1.25pm	2.56
Netherlands	3.3470 - 3.3600	3.3500 - 3.3600	[illegible]cpm	2.91	2[illegible]-2[illegible]pm	2.76
Belgium	61.05 - 61.35	61.25 - 61.35	17-12cpm	2.84	43-38pm	2.64
Denmark	11.3920 - 11.4400	11.4300 - 11.4400	2[illegible]-2[illegible]orepm	2.56	6[illegible]-6[illegible]pm	2.27
Ireland	1.1115 - 1.1180	1.1165 - 1.1175	0.19-0.16cpm	1.88	0.50-0.40pm	1.61
Germany	2.9685 - 2.9775	2.9725 - 2.9775	[illegible]pfpm	3.28	2[illegible]-2pm	2.86
Portugal	259.30 - 261.45	260.45 - 261.45	8-10cdis	−0.41	15-53dis	−0.52
Spain	183.45 - 184.55	183.60 - 183.90	12-20cdis	−1.04	30-42dis	−0.78
Italy	2208.80 - 2215.65	2214.00 - 2215.00	2lirepm-par	0.54	4-2pm	0.54
Norway	11.5620 - 11.6000	11.5900 - 11.6000	2-1[illegible]orepm	1.88	[illegible]-4[illegible]pm	1.70
France	10.0560 - 10.0945	10.0675 - 10.0775	2[illegible]-2[illegible]cpm	2.83	6[illegible]-6[illegible]pm	2.66
Sweden	10.7270 - 10.7790	10.7675 - 10.7775	[illegible]orepm-par	0.14	[illegible]dis	−0.14
Japan	242.20 - 243.50	242.50 - 243.50	1-[illegible]ypm	4.32	2[illegible]-2[illegible]pm	4.32
Austria	20.89 - 20.97	20.93 - 20.97	6[illegible]-4[illegible]pm	3.15	16[illegible]-14[illegible]	2.98
Switzerland	2.4975 - 2.5200	2.4975 - 2.5075	[illegible]cpm	3.60	2[illegible]-2[illegible]	3.60
Ecu	1.4410 - 1.4460	1.4440 - 1.4450	0.36-0.31cpm	2.78	0.97-0.90pm	2.59

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.48-4.43cpm. 12 Month 7.26-7.16cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7635 - 1.7855	[illegible]	0.89-0.87cpm	5.92	2.58-2.55pm	5.75
Ireland†	[illegible] - 1.6005	[illegible]	0.54-0.49cpm	3.86	1.60-1.50pm	[illegible]
Canada	1.1545 - 1.1565	1.1555 - [illegible]	0.30-0.33cdis	−3.27	0.91-0.96dis	−3.24
Netherlands	1.8775 - 1.8980	1.8795 - [illegible]	0.45-0.48cdis	−2.97	1.42-1.47dis	−3.07
Belgium	[illegible]	34.30 - 34.40	7.50-9.50cdis	−2.97	25.00-29.00dis	−3.14
Denmark	6.4375 - 6.4600	6.4050 - [illegible]	1.70-2.10oredis	−3.56	5.35-6.05dis	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls Sept.	Calls Dec.	Puts June	Puts Sept.	Puts Dec.
103	2.77	-	-	0.17	0.38	-
104	1.95	-	-	0.33	0.86	-
105	1.24	-	2.00	0.62	-	1.67
106	0.69	-	1.53	1.07	-	-
107	0.35	0.85	-	-	-	-
108	0.16	0.54	-	-	-	-
Open Int.	111,611	19,451	900	115,646	25,754	1,050

Estimated volume 20,244 Total Open Interest 274,462

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Jun	2568.0	2596.0	2562.0	[illegible]
[illegible]	2609.0			[illegible]

Estimated volume 4775 ([illegible]) Previous day's open int. 23830 ([illegible])

EURO SWISS FRANC
SFr 1m points of 100%

	Close	High	Low	Prev.
Jun	92.14	92.15	[illegible]	92.07
Sep	[illegible]	[illegible]	[illegible]	92.67
Dec	[illegible]	92.94	92.81	[illegible]
Mar	[illegible]	[illegible]	93.15	[illegible]

[illegible] volume 2458 ([illegible]) Previous day's open int. 11[illegible] (10511)

BASE LENDING RATES

	%		%		%
ABN Bank	12½	Co-operative Bank	12½	Nat Bk. of Kuwait	13½
Adam & Company	12½	Coutts & Co	12½	NatWestminster	12½
Allied Trust Bank	12½	Cyprus Popular Bk	12½	Northern Bank Ltd	12½
AIB Bank	12½	Dunbar Bank PLC	12½	Nykredit Mortgage Bank	13
● Henry Ansbacher	12½	Duncan Lawrie	12½	Provincial Bank PLC	15
B & C Merchant Bank	12½	Equatorial Bank plc	12½	Roxburghe Bank Ltd.	13½
Bank of Baroda	12½	Exeter Bank Limited	13	Royal Bk of Scotland	12½
Banco Bilbao Vizcaya	12½	Financial & Gen. Bank	12½	● Smith & Williamson Secs.	12½
Bank Credit & Comm	12½	First National Bank Plc.	15	Standard Chartered	12½
Bank of Cyprus	12½	● Robert Fleming & Co.	12½	TSB	12½
Bank of Ireland	12½	Robert Fraser & Ptnrs.	13	Unibank plc	12½
Bank of India	12½	Girobank	12½	● United Bk of Kuwait	12½
Bank of Scotland	12½	● Guinness Mahon	12½	United Mizrahi Bank	12½
Banque Belge Ltd	12½	● Hambros Bank	12½	Unity Trust Bank Plc	12½
Barclays Bank	12½	Hampshire Trust Plc	13½	Western Trust	12½
Benchmark Bank	13	Heritable & Gen Inv Bnk.	12½	Westpac Bank Corp.	12½
Brit Bk of Mid East	12½	● Hill Samuel	12½	Whiteaway Laidlaw	12½
● Brown Shipley	12½	C. Hoare & Co.	12½	Yorkshire Bank	12½
CL Bank Nederland	12½	Hongkong & Shanghai	12½		
● Charterhouse Bank	12½	● Leopold Joseph & Sons	12½		
Citibank NA	12½	Lloyds Bank	12½		
City Merchants Bank	12½	Meghraj Bank Ltd	12½		
Clydesdale Bank	12½	McDonnell Douglas Bnk.	12½		
Comm. Bk. of London Plc	12½	Midland Bank	12½		
		Mount Banking	12½		

● Members of British Merchant Banking & [illegible]

MONEY MARKETS

Lower UK rates

INTEREST [illegible] had [illegible] tone after the Bundesbank [illegible] German monetary policy unchanged at yesterday's [illegible]cil meeting. Although a [illegible] in German [illegible] had not [illegible] expected, the announcement still caused a modest ripple [illegible] excitement in European money markets where yields retreated.

UK [illegible] were further depressed as sterling strengthened against [illegible] D-Mark in [illegible] wake of the [illegible]sion. Turnover in the London markets was low and dealers said there appeared to be little pressure for an immediate reduction in base rates.

UK clearing bank base lending rate 12.5 per cent from March 22, 1991

One month money was ⅛ lower at 12⅛-⅛ per cent, while three months was unchanged [illegible] 12⅜-¼. In the futures market, short sterling prices [illegible] slightly higher. [illegible] June contract was up 5 points [illegible] 88.83, implying base rates [illegible] 11⅛ per cent by the end of that month, against the current 12½.

At the very short end, [illegible] moved higher as the Bank [illegible] England appeared [illegible] leave the market without sufficient liquidity. Rates settled [illegible] as it [illegible] that the Bank had overestimated the [illegible] the shortage. Overnight [illegible] finished at 12% per [illegible] against 12%.

[illegible] Bank initially [illegible] a shortage [illegible] £900m which it later [illegible] and finally to [illegible]. This compared with total help of [illegible]. One [illegible] discount house dealer [illegible] "The shortage was probably closer to £600m than £850m and that is why there was little pressure on overnight money. After the late assistance was provided there [illegible] demand [illegible] liquidity and [illegible] eased."

In early operations, the Bank bought £343m of band 2 bank bills at 12¼ per cent and before lunch a further £7m in the same band. During the afternoon, it bought a further £273m by way of purchasing £109m of band 1 bills at 12⅜ per cent; in band 2 £4m Treasury and £75m bank bills at unchanged rates; and late assistance of £85m.

In Frankfurt, money rates were slightly easier. Call money fell to 8.80-8.90 [illegible] from 8.90-9.00. The June Euro-mark [illegible] was up 12 points [illegible] 90.84.

In New York, the Federal Reserve added temporary reserves using overnight system repurchase agreem[illegible] Fed funds trading [illegible] per cent against 6%.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

PENSION FUND INVESTMENT

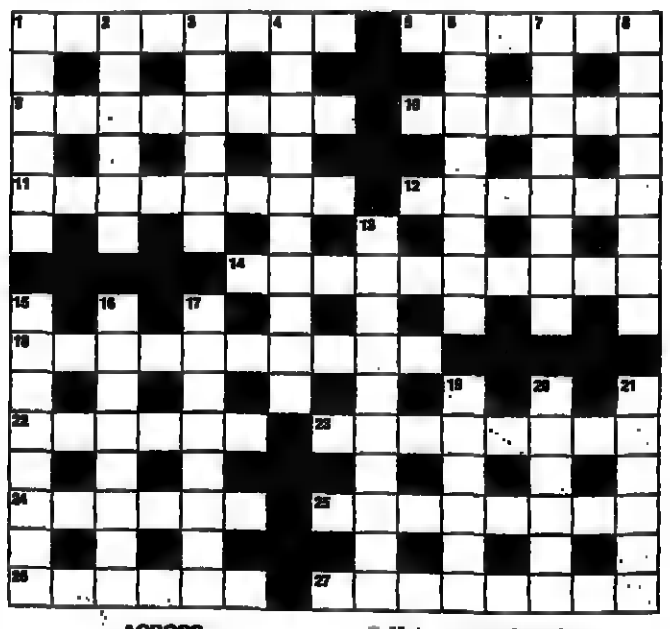
The FT proposes to publish this survey on 19th April 1991. It will be of particular interest to 95% of the fund managers in the UK who are regular FT readers. If you want to reach this important audience, call Maria Bovis on 071 873 4052 or fax 071 873 3078.

FT SURVEYS

JOTTER PAD

CROSSWORD

No.7,510 Set by VIXEN



ACROSS
1 Beach shoes are quite wrong here! (8)
5 Flowers can be an investment (6)
9 Greek character joining the Italian in the art gallery to do some damage (8)
10 Working man likely to be in a union? (6)
11 Svelte appearance of a girl staying in less (8)
12 Pay attention when the sovereign is cross! (6)
14 Held in check, so fell behind others (10)
18 A coloured seaman or flier (3,7)
22 "The balance mounts (6)
23 No rating should be without proper training (8)
24 Edward's got internal trouble fixed (6)
25 She's excited in a store (8)
26 Wheel to turn in class (6)
27 A criminal who'll take chumps in (8)

DOWN
1 It's foolish making up lies about a politician (6)
2 A street light that's not in the right place (6)
3 Boring swine holding up nothing (6)
4 Where chickens may be prepared by turns (10)
6 Hot - up-to-the-minute - about right (8)
7 "Were man but ... he were perfect" (Shakespeare) (8)
8 Sing, quite untroubled about the puff called for (8)
13 Men putting the squeeze on many among the aliens (10)
15 A detainee - one making enquiries about his child (8)
16 The dreamer giving some thought to a catalogue (8)
17 He doesn't appear to be a supporter (8)
19 An old bird turning over a ring (6)
20 Disagrees with V-sign (6)
21 Strive to make music (6)

Solution to Puzzle No.7,509

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p [illegible] minute peak and 34p off peak, inc VAT. To obtain [illegible] free [illegible] Trust Code Booklet ring (071) [illegible]

U.S. Treasury Securities Fund Ltd

Yamaichi Capital Mangmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

INVESCO MIM International (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Schroder Kemp-Gee Mangmt Jersey

Target Internat. Management (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

Hill Samuel Inv Services

Credit Suisse

Top Brand Fund Intl-SICAV (a)

Transworld Bond Trust

US Pacific Stock Fund (u)

Unibank SA, Frontrunner I (a)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

GT Management Plc—Contd.

NM Financial Mngt Intl Ltd

The New Zealand Fund

Newport International Management

Nomura Warrant Fund 1990 Ltd

MANAGED FUNDS NOTES

2:15 pm prices April 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15½	9¼	AAR Corp	0.48	0.03	13	394	14⅝	14⅛	14½	+⅛
28⅜	21⅞	A L Labs A	0.11	0.00	32	633	u27¼	26⅝	27¼	+1
54⅛	40⅞	AMP Inc	1.44	0.03	19	1851	53½	52½	53⅛	+⅛
63	44¼	AMR			9	12370	59⅜	58⅞	58⅞	−½
2⅞	1¼	ARX			3	347	u2⅝	2½	2⅝	+⅛
46⅞	41½	ASA	[illegible]	0.06	13	438	48½	48⅛	48⅜	+⅛
50⅛	38¼	Abbott Lab	[illegible]	0.02	22	3665	u50⅝	49½	50⅜	+1
13¼	9⅞	Abitibi Pr	[illegible]	0.04	18	16	u13½	13⅛	13½	+⅜
11⅛	10⅜	ACM Gvt In				1290	u11¼	11	11⅛	+⅛
9⅛	8⅜	ACM GvOpp				97	9⅛	9	9⅛	
9	8⅛	ACM Gvt Sc x	1.01	[illegible]		217	8⅞	8¾	8⅞	−⅛
10⅞	9⅝	ACM Gvt Sc x				124	10⅝	10½	10⅝	
8⅛	7⅝	ACM Man				82	8	8	8	
12⅝	11⅞	ACM Managd				58	12⅜	12¼	12¼	−⅛
7⅛	4¾	Acme Cleve	0.40	0.06	16	69	6⅞	6⅝	6⅝	−¼
6	4⅜	Acme Elect			15	41	4⅞	d4⅜	4⅛	−⅛
39	22⅝	Acuson			29	367	u40	38⅜	39⅝	+1¼
17⅛	14⅛	Adams Expr	0.48	0.03	0	65	16⅞	16⅝	16⅝	−⅛
20	18⅞	Adobe12PI	2.40	0.12		12	19⅞	19⅝	19⅝	−⅛
9⅛	7	Adobe Res			19	209	7½	7½	7½	+⅛
31½	[illegible]	Ad Micro				211	30⅜	29⅞	30⅛	+⅝
11⅞	4⅞	Ad Micro P	3.00	0.27	21	[illegible]	11⅛	10⅝	11⅛	+½
4½	2⅛	Advest Grp			3	[illegible]	u4⅝	4⅜	4½	+⅛
49⅞	33⅞	Aetna Lf	2.76	0.06	7	2271	48⅜	47½	48⅛	+⅝
10⅝	6⅝	Aflil A	0.24	0.02	28	195	9⅞	9⅞	9⅞	−⅛
18⅞	12	Ahmanson	0.88	0.05	9	1666	18⅝	18⅛	18⅞	+⅛
5½	2⅞	Aileen Inc			6	1007	u5⅛	5⅛	5⅛	−⅛
69⅝	51½	Air Pr Chm x			16	539	u69⅞	68⅝	69⅝	+1⅛
25	16⅝	Airbne Frt	0.30	0.01	12	637	21⅞	21½	21¼	
18½	12½	Airgas Inc			22	154	u18⅞	18½	18⅞	+⅛
15⅛	10	Airlease x	[illegible]	13	6	35	12⅞	12⅞	12½	−⅛
92½	88¼	AlaPw8.16				2	90	90	89½	−½
23½	21⅞	AlaPw PfA				7	23⅛	23⅛	23⅛	
103	100	AlaPw9.44				z100	102½	102½	101	−1½
108	104½	Alab Pw 11				z100	105½	105	105	−1½

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

FRANCE (continued)
[illegible]

GERMANY
[illegible]

GERMANY (continued)
[illegible]

ITALY
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

JAPAN
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

MALAYSIA
[illegible]

SINGAPORE
[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
2:00 pm prices April 4

[illegible]

MONTREAL
pm prices April 4

[illegible]

Total Sales [illegible] shares

INDICES

NEW YORK
DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA
TORONTO

[illegible]

[illegible]

‡ Corrected figure. **Saturday March 30: Taiwan [illegible] Price: (c). Korea Comp Ex. 659.85. § Subject to official recalculation. *Calculated at 15.00 GMT.

Base values [illegible] SE, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE [illegible] Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 4 April 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi Zosen	20.1m	854	+15	[illegible]	6.4m	749	+14
M'bishi Elec	14.8m	610	-7	[illegible]	6.2m	695	-8
Nippon Yin Kgo	13.6m	1,010	+40	Hazama-Gumi	5.8m	1,180	+10
Kurabo Inds	8.5m	1,140	-30	[illegible]	5.5m	808	-3
Clarion	6.5m	1,100	+40	[illegible]	5.4m	1,280	+10

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly [illegible] lows reflect the previous 52 weeks plus the current [illegible] but not the [illegible] day. Where a split or stock dividend amounting [illegible] or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

[illegible] pm prices April 4

NASDAQ NATIONAL MARKET

[illegible] pm prices April 4

AMERICA

Dow registers gains on interest rate hopes

Wall Street

A higher-than-expected weekly jobless claims figure raised hopes that the Federal Reserve might cut interest [illegible] again, which helped share prices to post [illegible] gains in heavy trading yesterday morning, *writes Patrick Harverson in New York.*

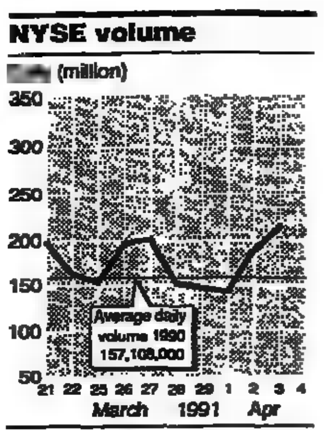
At 1 pm the Dow Jones Industrial Average [illegible] up 12.87 at 2,939.60, which represented a 20-point recovery from early weakness. The more broadly based Standard & Poor's 500 was also firmer, up 1.83 at 380.77, while the Nasdaq composite of over-the-counter issues was again the best performing index, climbing 3.28 to 498.33.

Turnover on the [illegible] York SE was heavy for a second day running, with 11m [illegible] hands by [illegible] pm.

Advancing issues were running ahead of declining issues at a rate of 864 to 609.

The spark for the gains was the regular weekly report of the number of people claiming state unemployment insurance. Although this indicator is normally not widely watched, yesterday's [illegible] jump in jobless claims was far bigger than expected, and suggested that [illegible] March employment data, due today, could be bleak. This could press the Fed into cutting interest rates.

Among individual stocks IBM led the Dow higher with a rise of $1 to $114¼ on turnover of 1.2m shares. IBM has been something of a laggard recently – even on Tuesday when the Dow jumped [illegible] points – and yesterday's demand could herald a recovery in the market's bellwether stock.



Polaroid slipped $1¼ to $23⅝ in bright trading after the company said late on Wednesday that its first quarter profit would be in the range of 10 cents to 20 cents a share, well down on the 43 cents a share earned a year ago.

Another company to issue a profits warning was Graco, the engineering equipment manufacturer. The group's stock plummeted $4⅝ to $25 after Graco said first quarter profit would fall below the 35 cents a share reported in the same quarter of 1990.

The banking sector, which was one of the best performers of the first quarter, was well bought again. Chemical Bank, the subject of a broker's buy recommendation this week, climbed $⅝ to $18⅝. J P Morgan rose $⅝ to $48⅝. Manufacturers Hanover firmed $⅛ to $26⅜ and Citicorp added $⅜ to $15⅛. The one exception was BankAmerica, the west coast group, which eased $⅛ to $37⅛.

On the over-the-counter market Apple rose $1¼ to $71¼ in active trading after the company announced the formation of new divisions for research and [illegible] and worldwide product marketing. Synergen fell $1 to $35⅝ after Merrill Lynch, the broking house, cut its rating on the stock.

Canada

TORONTO STOCKS resumed their upward course at midday yesterday after falling in mid-morning trading. The market followed Wall Street higher.

The composite index gained 10.7 to 3,527.1. Advances led declines by 217 to 216 on volume of 18.1m shares.

Newbridge Networks, which jumped C$1 the previous day, gained another C$⅝ to C$8⅝. The company said on Wednesday that it knew of no reason for the recent advance in its share price. Laidlaw B shares, which have suffered recently from negative news, rose C$¼ to C$15⅞.

Bombay shrugs off political uncertainty

R.C.Murthy reports on the reaction to recent events

THE INDIAN stock markets seem to have taken the current political uncertainty and balance of payments problems in their stride.

The collapse of the Chandra Shekhar administration early last month and the announcement of elections, set for May, were expected to produce a plunge in share prices. Instead they moved in a narrow range, easing 4 per cent last month. There has even been a minor rally this week, with the 30-share index of the Bombay Stock Exchange, which sets the pace for other Indian markets, rising 2.2 per cent on Monday to 1,193.61 and closing at 1,197.12 yesterday.

The interim budget presented on February 28 was a damp squib, and did not contain any tax proposals, which normally provoke reaction among traders. The BSE fell 52 points in March to 1,168; in [illegible] same month [illegible] year, the [illegible] jumped by [illegible] points or 14 per cent to 781, reflecting the high level of activity after the Indian budget.

Analysts say that the markets should be prepared for greater uncertainty in the near future. The pessimists fear a recession. A hung parliament after next month's polls would lead to a less stable government, which would make it difficult to tackle the weaknesses in the economy.

The optimists see these problems as transitory. They emphasise that the recent official forecast for good monsoon rains in the third quarter and corporate results for the year to December augur well for the markets. Hindustan Lever, a Unilever subsidiary, Colgate and Reckitt & Colman have raised their dividends and proposed scrip issues.

A clear trend is expected to emerge by mid-May, when the voters' preferences are known.

SOUTH AFRICA

SHARES in Johannesburg built upon the previous day's rally yesterday, but trading was cautious. The all-gold index edged up 4 to 1,043 and the industrial index rose 16 to another record of 3,419. The leading industrial stock, Barlows, rose 25 cents to R40.25.

ASIA PACIFIC

Cautious investors push Nikkei lower

Tokyo

[illegible] MODERATE decline for the 225-share Nikkei average was registered yesterday [illegible] cautious investors took their cue from the overnight retreat on Wall Street and engaged in profit-taking. The index was finally down 90.25 at [illegible], after a day's high of 26,792.68 and a low of 26,608.44, *writes Emiko Terazono in Tokyo.*

Volume decreased to 480m [illegible] from [illegible]. Mr Shin Tokoi at County NatWest said [illegible] personnel reshuffle [illegible] the beginning of the business [illegible] had [illegible] activity. The overall picture was mixed, with advances narrowly leading declines by 497 to 471, and 167 issues ending unchanged. The Topix index of all first section stocks eased [illegible] slight 0.08 to 2,007.48, and in London the ISE/Nikkei 50 index was 0.60 off at 1,522.25.

Some traders had expected a sharper decline. Mr Peter Johnson at Baring Securities said that after Wednesday's 528-point Nikkei rise, yesterday's minor [illegible] confidence. Attention moved away from interest [illegible] tive stocks as market participants waited for the outcome of the central bank's branch managers' meeting, which [illegible] yesterday. Tokyo Electric Power declined [illegible] to Y3,950.

Nissan Motor dropped Y24 to Y776 on large-lot selling, triggered by prospects of a substantial fall in earnings and reports that an affiliated [illegible] ponents maker had suffered heavy losses owing to its stock [illegible]. Other [illegible] were modestly firmer.

Shiseido, the cosmetics group, climbed Y30 to [illegible] on news that the company had developed [illegible] drug which enhances brain activity, for geriatric [illegible]. [illegible] Pharmaceutical, which had previously risen on reports that it had developed a drug for senile dementia, shed Y10 to Y2,520 on profit-taking.

Stainless steel-related issues were firm. Nisshin Steel gained Y14 to Y749 in active trading. The company expects [illegible] earnings for the current year to March [illegible]. Some traders were seen supporting the stock ahead of an imminent warrant bond [illegible]. Nippon Yakin Kogyo rose Y49 to Y1,010. Strong recommendations by the [illegible] four brokerages have prompted investor buying.

In Osaka, the OSE average moved up 239.05 to 29,862.75 on volume of 48.4m shares.

Tsudakoma, [illegible] machine manufacturer which rose recently on speculation that [illegible] receive large orders from the Soviet Union, lost Y10 to Y1,490 on profit-taking.

Roundup

SOME [illegible] Basin [illegible] seemed to be making a gentle, if delayed, response yesterday to Tuesday's gains in Japan and the US.

NEW ZEALAND advanced [illegible] light foreign buying, encouraged by favourable currency movements. The Barclays index closed 10.22 ahead at 1,352.72 for a gain of 12.5 per cent on the year so far. Turnover was NZ$10.6m (NZ$10.1m).

MANILA was led higher by [illegible] Miguel, the brewer, food [illegible] and [illegible] market leader, which put on 5 pesos to 62 pesos on stock dividend talk. The composite index ended 21.89 or 2 per cent stronger at 1,128.87.

HONG KONG retreated a little. The Hang Seng index slipped 20.55 to 3,849.15 ahead of the three-day local holiday weekend, following a rise of nearly 5 per cent over the preceding three sessions.

[illegible] dipped [illegible] HK$2.22bn to HK$2.11bn. Utilities and property [illegible] led the way down, Cheung Kong losing HK$1 to HK$18.30. This followed news late on [illegible] day suggesting that Li Ka-shing, its chairman, had sold [illegible] on [illegible] shares in the property group. The instruments, sold at HK$5, give holders the right to buy Cheung Kong shares within two years at HK$19.30.

BANGKOK'S SET [illegible] climbed 12.11 to 868.49 on turnover of 3.58bn baht. JAKARTA [illegible] as [illegible] bled on foreign buying interest. The index firmed 1.58 to 406.12 on 4.4m shares.

SINGAPORE rose but trading remained light. The Straits Times Industrial index added 10.70 at 1,498.71 as turnover [illegible] to S$128m from S$142m.

EUROPE

Profit-taking opportunity brings out equity sellers

FT-SE Eurotrack 100 - Apr 4							
Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	[illegible]
1120.12	1119.15	1114.27	[illegible]	1114.16	1112.85	[illegible]	1114.08
Day's High 1120.25				Day's Low 1111.40			
Apr 3	Apr 2	Mar 28	Mar 27	Mar 26			
1116.86	1100.61	1099.14	1090.17	1078.79			

Base value 1000 [illegible]

THE OVERNIGHT fall in blue chips on Wall Street, and the decision of the Bundesbank to hold interest rates yesterday gave investors a chance to take profits. Company news provided sharp [illegible] by some individual stocks, notably in Paris and Brussels, *writes Our Markets Staff.*

PARIS suffered its first decline in 10 sessions, the CAC [illegible] slipping 11.6 to 1,836.21. Turnover was FFr2.62bn by the official close, after Wednesday's FFr3.5bn.

The spotlight was trained on Alcatel Alsthom, the electrical engineering and telecommunications group, and its Générale Occidentale [illegible] subsidiary, following Wednesday's [illegible] that Alcatel was offering shareholders four of its own shares for three in GO.

Arbitrage between the two stocks by professionals and some panic selling by retailers left Alcatel FFr21 or 3.4 per cent lower at FFr600 on heavy trading of 745,970 shares. GO, which was suspended on Tuesday, jumped FFr111 or 16.2 per cent to FFr796 on 342,550 shares. The other two units in which Alcatel is buying in minority holdings also rose sharply, but in light volume. Saft added FFr189 to FFr1,337 and Locatel FFr18 to FFr189.

Other big movers included Paribas, which is also buying the outstanding shares in two subsidiaries. It dropped FFr13 or 2.7 per cent to FFr471. Lafarge Coppée [illegible] FFr402, down another FFr3.90; the stock has been weak since Tuesday's analysts' meeting.

Peugeot dropped FFr15 or 2.6 per cent to FFr571 on 186,455 shares, following the news of disappointing French car registration figures for March.

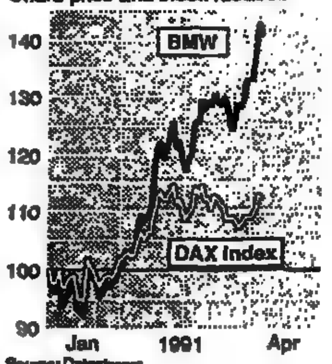
FRANKFURT eased, the FAZ index [illegible] 1.30 to 666.97 at midsession and the DAX closing 5.53 lower at 1,571.97 as volume fell from DM7.8bn to DM6.5bn.

Mr Heino Rauland, equity strategist at Bank Julius Baer in Frankfurt, said that on Wednesday the market had broken up through its 200-day moving average, and that a technical reaction was due.

BMW fell DM7 to DM553 on profit-taking. Its 1990 results were regarded as good value. Thyssen, [illegible] is a US dollar-denominated product, rose DM3 to DM223.50 during market hours, and another DM3 in the London post-bourse. Mr Rauland noted that the US economy was expected to recover along with the dollar, and that Thyssen was the only German steelmaker with a substantial proportion of its sales in the US.

Siemens fell DM6.50 to DM687. UBS Phillips & Drew has issued a sell recommendation, saying that the Siemens/Nixdorf computer merger had unearthed problems in that area of the group's activities; and that interest income this year would fall to a point where it would fail to shield lower operating results. UBS forecasts an earnings per share fall of 7 per cent to DM[illegible].

Share price and index rebased



Source: Datastream

MILAN featured a further rise in net inflow for Italy's mutual funds, from L603bn in February to L720bn in March. Mr Sam van Holthe, of Sanpaulo Bank in London, observed that this [illegible] a [illegible] annual increase in the industry's total funds, which stood at L50.9 trillion at the end of March.

After profit-taking yesterday, the Comit index closed virtually unchanged at 591.99 in higher volume. Interest in the insurance sector extended to Ras, L580 higher at L20,450, and Fondiaria, L1,000 better at L45,450. Italian insurance stocks have been getting friendly domestic support and Mr van Holthe said that the sector was up 22.5 per cent this year, against a 16.4 per cent rise in the market.

[illegible] watched Acec-Union Minière, the non-ferrous metals group, fall BFr165 or 5.8 per cent to BFr2,685 after Wednesday's news of a [illegible] fall in 1990 profits. The Bel20 index eased 3.72 to 1,198.59.

AMSTERDAM finished lower as profit-taking wiped out early gains. The CBS Tendency index ended 0.6 down at 97.6, after a morning high of 99.2. Pakhoed, the transport and storage company, rose Fl 1 to Fl 199.20 before closing at Fl 196, down Fl 1.70, after reporting a rise in 1990 profits in line with expectations.

KLM rose 80 cents to Fl 27.60 on the recently firm dollar, lower oil prices, and comments by the airline's chairman about the profits outlook.

MADRID continued to fall on profit-taking. The general index lost 4.1 or 1.4 per cent to 282.08. Investors were cautious after a small rise in the central bank's overnight money rate.

ZURICH ended mixed in reduced volume, although insurers and banks attracted good demand on slightly easier money market rates. The Credit Suisse index rose 1.3 to 553.2; Union Bank bearers gained SFr40 to SFr3,630; and, among insurers, Winterthur and Zurich bearers added SFr50 and SFr60 to SFr4,170 and SFr4,670 respectively.

STOCKHOLM reversed early losses to close with the Affärsvärlden General index 2.60 higher at 1,114.80 in a market characterised by a lack of sellers. Turnover fell from SKr464m to SKr317.5m.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The [illegible] capitalisation [illegible] and regional markets [illegible] the FT-Actuaries World Indices as at MARCH 29, [illegible] expressed [illegible] in millions of US dollars [illegible] as [illegible] percentage of the World [illegible]. Similar figures are provided [illegible] the preceding quarter.
The percentage [illegible] Dollar Index [illegible] since [illegible] end of the [illegible] year is also provided.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Market capitalisation as at MARCH 29, 1991 (US$m)	% of World Index	Market capitalisation as at DECEMBER 31, 1990 (US$m)	% of World Index	% change in $ index since DECEMBER 31, 1990
Australia (75)	91766.7	1.35	78293.5	1.26	+14.16
Austria (19)	10633.0	0.[illegible]	10687.2	0.17	−0.51
Belgium (60)	49374.6	0.[illegible]	44284.3	0.71	+5.10
Canada (116)	144072.3	2.1[illegible]	139750.6	2.24	+5.38
Denmark (32)	24921.1	0.37	24470.9	0.39	+2.31
Finland (21)	2492.2	0.04	2265.5	0.04	+14.32
France (113)	213452.5	3.[illegible]	195887.8	3.16	+4.79
Germany (88)	246309.3	3.[illegible]	259890.7	4.19	−5.21
Hong Kong (46)	68630.3	1.01	54558.7	0.88	+24.77
Ireland (16)	9126.2	0.[illegible]	8138.6	0.13	+9.67
Italy (91)	97832.8	1.44	89918.6	1.45	+0.65
Japan (463)	2213786.7	32.51	2027841.6	32.67	+9.04
Malaysia (34)	8167.2	0.12	7371.1	0.12	+10.34
Mexico (12)	15441.1	0.23	11424.3	0.18	+35.16
Netherland (40)	104286.2	1.53	101465.4	1.63	+3.27
New Zealand (15)	6910.3	0.10	6513.5	0.10	+4.27
Norway (30)	7750.3	0.11	7854.0	0.13	−4.17
Singapore (25)	16674.5	0.24	13275.2	0.21	+22.16
South Africa (60)	57707.5	0.85	53176.1	0.86	+8.27
Spain (41)	73183.4	1.07	63625.5	1.03	+14.15
Sweden (27)	27159.2	0.40	23166.1	0.37	+17.23
Switzerland (66)	93227.0	1.37	89847.5	1.45	+5.01
United Kingdom (295)	741990.2	10.90	707589.8	11.40	+4.61
USA (525)	2483943.9	36.48	2186562.8	35.23	+14.06
Europe (938)	1701738.0	24.99	1629091.9	26.25	+3.27
Nordic (110)	62322.8	0.92	57756.4	0.93	+7.83
Pacific Basin (650)	2405935.8	35.34	2187853.6	35.25	+9.70
Euro – Pacific (1588)	4107673.6	60.33	3816945.4	61.50	+6.94
North America (641)	2628016.2	38.60	2325313.3	37.46	+13.54
Europe Ex. UK (643)	959747.9	14.10	921502.1	14.85	+2.26
Pacific Ex. Japan (197)	192148.9	2.82	160012.0	2.58	+17.86
World Ex. US (1776)	4324894.5	63.52	4020296.4	64.77	+6.99
World Ex. UK (2006)	6066848.2	89.10	5499269.4	88.60	+10.09
World Ex. So. [illegible] (2241)	6751130.8	99.15	6153683.1	99.14	+9.47
World Ex. Japan [illegible]	4595051.7	67.49	[illegible]	67.33	+9.66
The World [illegible]	6808838.3	100.00	6206859.2	100.00	+9.47

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial [illegible] Limited, Goldman, Sachs & Co., and County [illegible] in conjunction with the Institute [illegible] and the Faculty of [illegible]

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY APRIL [illegible] 1991 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM [illegible]	Local [illegible]	Local % chg on day	[illegible]	TUESDAY APRIL 2 1991 US [illegible] Index	[illegible]	Yen Index	[illegible]	Local Currency [illegible]	DOLLAR [illegible] [illegible]	[illegible] Low	Year ago (approx)
Australia (74)	136.86	+2.1	[illegible]	118.78	118.40	[illegible]	+1.6	[illegible]	[illegible]	[illegible]	117.35	117.11	[illegible]	[illegible]	[illegible]	136.56
Austria (19)	202.11	+2.8	[illegible]	175.42	174.85	[illegible]	+1.6	[illegible]	[illegible]	[illegible]	172.11	171.76	[illegible]	[illegible]	[illegible]	260.75
Belgium (60)	141.58	+1.1	117.85	[illegible]	122.46	[illegible]	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	119.84	151.20	[illegible]	146.52
Canada (116)	138.15	+0.0	115.01	[illegible]	119.51	[illegible]	+0.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	115.59	141.10	[illegible]	140.78
Denmark (31)	[illegible]	[illegible]	[illegible]	[illegible]	214.57	215.98	+1.4	1.54	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	217.74	248.58
Finland (21)	[illegible]	+2.6	100.25	104.52	104.19	99.67	+1.5	2.44	117.35	98.41	[illegible]	102.53	98.18	125.15	[illegible]	135.70
France (113)	[illegible]	+2.1	119.28	124.33	123.93	126.80	+1.2	3.35	140.31	117.66	[illegible]	122.57	125.29	152.26	[illegible]	156.22
Germany (88)	112.09	+3.0	93.30	97.29	96.96	96.96	+2.0	[illegible]	[illegible]	[illegible]	95.25	95.04	95.04	[illegible]	[illegible]	138.46
Hong Kong (48)	158.75	+1.9	[illegible]	136.04	135.61	[illegible]	+2.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	122.82
Ireland (16)	[illegible]	+2.6	[illegible]	147.24	[illegible]	[illegible]	+2.0	[illegible]	[illegible]	[illegible]	144.72	[illegible]	[illegible]	[illegible]	[illegible]	185.06
Italy (91)	[illegible]	+2.6	68.04	70.93	[illegible]	[illegible]	+1.4	[illegible]	[illegible]	[illegible]	69.75	69.61	[illegible]	88.23	[illegible]	97.72
Japan (452)	142.39	+2.6	[illegible]	123.58	123.20	123.58	+1.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	127.11
Malaysia (33)	238.93	+0.9	[illegible]	[illegible]	206.89	252.73	+0.7	[illegible]	236.73	[illegible]	207.24	[illegible]	[illegible]	[illegible]	192.83	219.77
Mexico (12)	803.44	+1.2	668.82	[illegible]	695.06	2626.26	+1.4	[illegible]	[illegible]	[illegible]	695.25	[illegible]	[illegible]	[illegible]	[illegible]	382.27
Netherland (40)	[illegible]	+2.2	[illegible]	[illegible]	123.33	122.00	+1.2	[illegible]	139.52	117.00	[illegible]	[illegible]	[illegible]	145.73	125.70	139.42
New Zealand (14)	[illegible]	+0.9	38.45	[illegible]	39.96	41.37	+0.3	[illegible]	45.78	[illegible]	40.06	[illegible]	[illegible]	52.31	41.18	61.35
Norway (30)	202.25	+1.8	168.36	[illegible]	174.97	178.57	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	182.24	285.48
Singapore (25)	198.13	+2.6	164.93	[illegible]	171.40	160.88	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	151.63	189.73
South Africa (60)	200.24	+0.8	166.69	173.78	173.23	[illegible]	+1.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	161.02
Spain (41)	164.19	+0.8	[illegible]	142.50	142.04	[illegible]	+0.0	4.41	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	171.12	[illegible]	135.65
Sweden (27)	194.19	+2.8	[illegible]	168.54	168.00	[illegible]	+2.2	2.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	204.12	[illegible]	176.86
Switzerland (65)	[illegible]	+2.2	80.57	[illegible]	[illegible]	[illegible]	+1.2	2.44	94.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	90.09
United Kingdom (295)	[illegible]	[illegible]	150.39	[illegible]	156.26	[illegible]	+1.3	[illegible]	177.12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	148.86
USA (525)	[illegible]	−0.1	127.86	133.43	133.00	[illegible]	−0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	125.95	137.94
Europe (937)	[illegible]	+2.2	[illegible]	[illegible]	126.11	[illegible]	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	125.50	139.68
Nordic (109)	[illegible]	+2.5	156.37	163.03	162.51	[illegible]	+1.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	200.81	[illegible]	186.13
Pacific Basin (646)	[illegible]	+2.6	118.40	123.45	[illegible]	[illegible]	+1.7	1.03	138.69	116.30	121.43	121.18	121.89	145.92	117.86	127.30
Euro – Pacific (1583)	143.56	+2.4	[illegible]	124.59	[illegible]	[illegible]	+1.5	[illegible]	140.21	117.57	122.74	122.49	122.57	147.86	121.29	132.74
North America (641)	152.69	−0.1	127.11	132.53	[illegible]	151.17	−0.1	[illegible]	152.78	128.11	133.77	133.50	151.26	152.78	125.91	136.01
Europe Ex. UK (642)	122.81	+2.3	[illegible]	106.61	[illegible]	[illegible]	+1.4	3.14	120.06	100.66	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	132.65
Pacific Ex. Japan (194)	[illegible]	+2.0	116.12	121.08	120.69	124.32	+1.6	[illegible]	136.77	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	111.40	128.95
World Ex. US (1771)	144.33	[illegible]	120.15	125.27	124.86	[illegible]	+1.5	[illegible]	141.10	118.32	123.54	123.28	123.12	148.16	122.32	133.82
World Ex. UK (2001)	143.06	+1.4	119.09	124.17	123.78	132.24	+0.9	2.32	141.14	118.35	123.57	123.32	131.06	143.99	120.06	132.88
World Ex. So. Af. (2235)	146.07	+1.4	121.80	126.79	126.38	133.97	+0.9	2.57	144.00	120.75	126.08	125.82	132.75	147.10	122.92	133.78
World Ex. Japan (1844)	149.94	+0.9	124.81	130.14	129.73	139.53	+0.5	3.51	148.64	124.64	130.14	129.86	138.77	151.89	128.69	139.08
The World Index (2296)	146.40	+1.4	121.87	127.07	126.66	134.04	+0.8	2.56	144.33	121.03	126.36	126.11	132.81	147.40	123.26	134.06

Latest prices were unavailable for this edition.

April 5 1991

RECRUITMENT

JOBS: Researchers spell out conditions in which the task in hand becomes all-absorbing

The spiritual dimension of high performance

WHEN you're working, do you ever feel [illegible] though you are close to [illegible] powerful spiritual force that seems to lift you out of yourself?

If the Jobs column's experience is any guide, most readers will find that question disquieting. My own response was to say "Yes, it's called the Editor". But the lame joke was only a pretext to dodge taking the question seriously, perhaps because the nearest thing to it I had met before was an item in a personality test, which inquired: "Do you ever feel your soul is coming adrift from your body?" It turned out that the test, although used in recruiting, was originally designed to detect incipient madness.

Spiritual forces fit uneasily into working life nowadays. Whatever our job, the general assumption is that we do it for some material gain – if not money, then power, fame or at least a comfortable old age. Indeed the hard school of life teaches that, after meeting anyone whose motivation cannot be [illegible] to palpable gain, the [illegible] action is to check your wallet.

Even so, a goodly number of folk will privately admit feeling spiritual forces. For example, when the question I started with was put to 1,000 individuals in the United States two years ago, almost a third said they had felt powerfully uplifted as though from outside in some part of their daily round. One in eight reported having such [illegible] repeatedly. Moreover, feelings of said type arose markedly more often at work than in leisure hours, especially when the job was complex and demanding.

I owe those facts to a book* by Mihaly Csikszentmihalyi, Professor of Psychology at the University of Chicago, who with associates around the world has studied many thousands of people in all manner of occupations. The researchers' main method is to equip their human subjects with electronic pagers programmed to bleep at random intervals eight times a day. At each bleep the people under study fill in a form, detailing what they are currently doing, with whom, and how they feel about it.

The results lead the researchers to dispute the belief that people are spurred to effort primarily by the pursuit of material gain. Far from being [illegible] only motivator, it [illegible] nowhere near the most productive either of good [illegible] or personal [illegible]

For the [illegible] that humans are at their best in every sense when experiencing what the professor calls "flow". He describes it as "the state in which people are so involved in an activity that nothing else seems to matter; the experience itself is so enjoyable that people will do it even at great cost, for the sheer sake of doing it."

The most mind-boggling effect of same – to the heights-abhorring Jobs column, at any rate – is in impelling even otherwise sane-seeming people to climb rockfaces. Here is one of them rhapsodising about it:

"It's a Zen feeling, like meditation or concentration. One thing you're after is the one-pointedness of mind.... it's like an egoless thing, in a way. Somehow the right thing is done without you ever thinking about it or doing anything at all.... It just happens. And yet you're more concentrated."

But, as I said earlier, the bulk of flow experiences are felt at work. And while more common at higher levels of official responsibility, they are certainly not confined thereto.

The book cites the case of Joe, aged 60-plus and a humble welder in a Chicago factory. Nevertheless, managers and workmates alike thought him a priceless asset.

"The reason for his fame was simple: Joe had apparently mastered every phase of the plant's operation, and he was now able to take anyone's place if the necessity arose. Moreover, he could fix any broken-down piece of machinery, ranging from huge mechanical cranes to tiny electronic monitors. But what astounded people most [illegible] Joe not only could perform these tasks, but actually enjoyed it when he was called upon to do them."

Readers who are lucky will no doubt have encountered the odd Joe during their labours. They may even have been lucky enough to have personally felt the same sort of enjoyment in things they were doing, however officially trivial. Wherever it occurs, the professor finds, it is characterised by at least some of the following conditions.

1 The task is one we are capable of completing.
2 We are able to concentrate entirely on the work in hand.
3 It has [illegible] which are clear, although not necessarily defined in detail.
4 It provides immediate feedback.
5 It gives us a feeling of deep but [illegible] involvement that [illegible] from [illegible] the [illegible] and frustrations [illegible] everyday life.
6 It allows us full control over our actions.
7 While we're actually doing it our sense of self disappears, only to return with added strength when the task is finished.
8 It transforms our [illegible] of time, so that hours seemingly [illegible] in minutes or minutes stretch out like hours.

Besides listing the symptoms of the flow experience, the professor thinks he knows [illegible] Far from being motivated by things imposed from outside, such as extra pay or the sack, our drive is totally internal – the [illegible] delight of personal growth achieved by gaining more complex abilities.

At such times, he says, we are fully in charge of own awareness. "Since what we experience *is* reality, as far as we are concerned, we can transform reality...."

Whereupon he proceeds not only [illegible] give hints [illegible] how [illegible] achieve consciousness-control, [illegible] to offer the concept of flow as a foundation for a universal ethical philosophy. All of which, although interesting, seems over-ambitious for the Jobs column's purposes.

My sole concern is the extent to which the flow notion affords an improved understanding of how people come to work at their best – a question on which I'd be very grateful for readers' reflections. [illegible] far as my experience goes, there are certainly occasions when I become totally absorbed by what I am doing, and they seem to be characterised by most if not all of the professor's eight symptoms.

Even so, I have some misgivings about the theory. One is its claim that such occasions are enjoyable. [illegible] doubt, they give [illegible] But that is not the same thing [illegible] enjoyment. [illegible] instance, not only for me but for colleagues equally content [illegible] their lot, writing is such a stressful process that we shy away from tackling until looming deadlines make it utterly unavoidable.

Moreover, while the end of the agony often leaves one deeply [illegible] not to say smug, I doubt that the glow arises from anything so dignified as personal growth gained by acquiring more complex abilities. A more likely cause is sheer relief that the taxing thing one was doing is now over.

That certainly seems to apply [illegible] rock-climbing. Although too scared to try myself, I once asked a famous practitioner why he [illegible] it. He replied that being actually out on the rockface was secondary to the main purpose, which was to sit in [illegible] bar afterwards reading the guide [illegible] description of the day's climb.

"The book'll say something [illegible] *From this point, there follows an exhilarating traverse*", he explained. "And you remember hanging to it by your finger nails, promising the God you usually don't acknowledge that if he'll just save you this time, you'll not only never climb but never sin again.

"Then you have another pint, and plan your next ascent."

Michael Dixon

*Flow – the psychology of optimal experience. Harper & Row, US, $19.95.

GENERAL MANAGER

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Closing date for applications: 19th April 1991.

ACCOUNTANCY COLUMN

A method that reveals what accounts obscure

By David Waller

INDUSTRY IS more short-term than the City, according to a poll of UK analysts, fund managers and senior company directors published last month.

The poll of 97 fund managers, 59 investment analysts, 32 chief executives of large quoted companies and 67 finance directors, conducted by MORI on behalf of Coopers & Lybrand Deloitte, found that industrialists are more preoccupied with accounting profits than City investors and analysts.*

Three-quarters of the top managers questioned believe accounting profit to be the most important barometer of corporate performance. Only a third of City investors and analysts share this view.

According to the poll, the City would like managers to pay more attention to long-term measures of corporate performance which reflect the cash flows generated by the business over a period of years.

Coopers recommends that company directors embrace something called "Shareholder Value Analysis", a technique developed in US business schools in the late 1970s and early 1980s which is now used by many large US corporations.

Using this technique, companies apply the discounted cash flow (DCF) methodology – commonly used for the appraisal of capital investment projects – to the management of the business as a whole.

DCF gives a net present value of future cash flows, taking account of both the amount of cash and its timing.

No doubt many directors will react to the conclusions of this poll with cynicism. Where, after all, is there evidence that the City takes any interest in long-term performance?

Many agree with Mr Ian Hay Davison, a former chairman of the Accounting Standards Committee (ASC) and now chairman of Crédit Lyonnais Laing, who has argued that: "The single most important figure affecting the analysts' view [of a company's investment appeal] – and hence the market's view – is forecast earnings per share."†

Academic analysis suggests that, on the contrary, share prices are driven by investors' considerations of the extent to which the company will be able to generate cash – and pay dividends – over the long term.

'The virtue of simplicity can also be a vice. EPS ignores the effects of many natural or contrived peculiarities of accounting'

"Earnings per share is a simple calculation that answers many business questions quite well," according to three consultants from McKinsey & Co in a recent book on corporate valuations.‡

"But the virtue of simplicity can also be a vice. EPS ignores the effects of many natural or contrived peculiarities of accounting.

"It can therefore lead, or allow, managers to make choices that destroy value in the long term, often without the short-term share price movements they hoped for."

Furthermore, empirical evidence collected by US researchers suggests that accounting changes which have no impact on the underlying business reality do not influence investors' decisions.

Of course many company directors believe otherwise – witness the passions stirred by last year's debate on accounting for goodwill, when the ASC proposed a purely cosmetic accounting change which would have had the unfortunate effect of reducing reported earnings.

However, as the findings of the Coopers report suggest, the City is waking up to the limitations of reported profits.

An example of this is the popularity of Accounting for Growth – an exposition of accounting manipulation published in January this year by UBS Phillips & Drew – which has acquired cult status in the City as fund managers puzzle over the collapse of a number of large companies in the past 18 months.

So what practical step should company directors take, now that the City has suddenly seen through the limitations of reported accounts?

"The DCF approach captures all the elements that affect the value of the company in a comprehensive yet straightforward manner," say the McKinsey consultants.

"It is based on the idea that an investment adds value if it generates a return on investment above the return that may be able to be earned on investments of similar risk."

Mr Gareth Stainer, Cooper's SVA expert, identifies six variables: operating profit margins; the rate of growth in sales; the tax rate; the incremental increase in fixed capital; the incremental increase in working capital; and the discount rate.

The first five variables define the cash flows. The discount rate determines how those cash flows are to be valued.

"In practice, not all cash is of equal value," Mr Stainer says. "Some has to be re-invested simply to replace the capital consumed in the course of the business.

"The process helps managers concentrate on free cash flow, i.e. the cash thrown off after all the other requirements of the business have been satisfied. Only out of this cash can dividends be paid."

So what, for their part, should company directors do, now that the City has suddenly seen through the limitations of reported accounts?

In practice, the conclusions reached by SVA may fly in the face of intuition. As the McKinsey consultants comment: "In some seemingly more profitable businesses, growth destroys value. In others, growth increases value even if it drives down the average return on capital."

As Mr Stainer says: "A 1 per cent increase in margins is often two to three times more valuable to the company than a similar increase in sales growth.

Mr Stainer acknowledges that the exercise is in practice "subject to the vagaries associated with any future planning process".

Determining the discount rate – usually based on the company's cost of capital by reference to the cost of debt and of equity – is complicated and highly subjective.

Yet, Mr Stainer maintains, the very process of analysing a company's cash flows in this way is illuminating.

"It gives clarity, simplicity and focus to decision-making – it tells you what you should be concentrating on."

To some, SVA may appear to be another new-fangled and over-complex technique, such as Activity Based Costing imported from business schools on the other side of the Atlantic.

It may, however, help liberate company directors from the tyranny of earnings per share.

* *Shareholder Value Analysis Survey: available from Gareth Stainer, Coopers & Lybrand Deloitte, Plumtree Court London EC4 4HT.*

† *Quoted from the Way Forward, an article in Financial Reporting, published by the Institute of Chartered Accountants in England & Wales and the Institute of Chartered Accountants of Scotland.*

‡ *Valuation, Measuring and Managing the Value of Companies, by Tom Copeland, Tim Koller, Jack Murrin of McKinsey & Company, published by John Wiley & Sons.*

ACCOUNTANCY APPOINTMENTS

EUROPEAN AUDITOR

ITW Ltd., a subsidiary of ITW Inc., a multinational corporation is a world leader in the development and manufacture of industrial systems, consumables and engineered components.

Due to expansion, we seek an auditor who will report to and assist the European Group Auditor based in Windsor. Duties will include system, operational, financial, internal control review and acquisition studies. The company's ambition and growth plans will ensure long term career progression prospects.

Suitable candidates should be qualified accountants. Fluency in French is required together with a minimum of two years experience of French accounting procedures. As this is a high profile role dealing with senior international management, the candidate must possess excellent communication skills. The travel content is likely to be in the region of 50% and include assignments in the UK, France, Spain, Italy, as well as other European countries.

Remuneration will include an excellent salary plus benefits and a fully expensed car.
Interested applicants should write, enclosing a full C.V. and details of their current remuneration package to:-

Mrs J.A. Walton,
ITW Ltd.,
St. Marks House, St. Marks Road,
Windsor, Berkshire. SL4 3BD

ITW LTD

Financial Manager

c£42,500 + Car + Bonus — London/Berkshire

■ A worldwide computer systems group with annual turnover approaching $400 million and more than 1,000 employees is experiencing sustained growth, retaining its position as an acknowledged leader in this field. A significant contribution to that success comes from a well developed indirect sales channel across Europe and the Middle East.

■ Working with the Divisional Executive who manages the indirect sales network, the Financial Manager will provide high quality financial support to the activities of the Division. Free from periodic accounting, your challenge will be to ensure that financial elements of all third party agreements are appropriate. It is probable that the jobholder will spend a large amount of time on matters which are not strictly concerned with accounting. There will be significant client contact and strong negotiating skills will be essential.

■ To be considered for this challenging and important appointment you will be a fully qualified accountant with a demonstrable track record of achievement in a sales-driven environment.

Commercial awareness is mandatory, as are above average analytical skills. Experience of an international organisation would be distinctly advantageous.

■ In return for excellent achievement in contributing to the success of the third party channel, our client will offer a first class remuneration package and the opportunity to take your career forward in a European context.

■ **Please send your curriculum vitae to Nicolas Mabin, Ernst & Young Corporate Resources, 21 Conduit Street, London W1R 9TB, quoting reference number NM316.**

ERNST & YOUNG

Group Finance Director

Surrey

c£45,000 + Bonus + Options + Car

Our client is a profitable, £20m t/o plc, engaged in the import and distribution of a variety of consumer and industrial products. Following its recent listing, the Group has a strategy of expansion and diversification, both organically and by acquisition.

The Finance Director will play a crucial role in the future development of the Group, being responsible to the Chief Executive for the entire financial structure of the business. In addition to the normal control and reporting responsibilities associated with an appointment at this level, the successful applicant will be expected to work closely with the Board towards the formulation and execution of sound commercial strategies, and to maintain a strong interface with banks and professional advisers.

Candidates, aged 35-40, should be graduate chartered accountants with a demonstrable track record of achievement gained at senior level in an international environment. Proven expertise in the areas of stringent cost control and cash management, coupled with personal maturity, strong communication skills and clear commercial vision, are essential.

Interested applicants should forward a comprehensive curriculum vitae, quoting ref: 2641, to Alan Dickinson FCMA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

FINANCE DIRECTOR

Norwich — **to £38,000 + benefits**

Our client is a profitable subsidiary of a decentralised, major public British engineering group. It is a market leader in the production and supply of capital goods and enjoys a worldwide reputation. A Finance Director is currently being sought who will play a major part in ensuring the future success of the company.

This challenging post reports to the Managing Director. In addition to complete responsibility for the efficient running of the finance function the role carries specific challenges, namely: the design and development of new standard costing operations; the implementation of a fully integrated computerised accounting and manufacturing system; profit generation from business activities and team building with colleagues and subordinates.

The successful applicant will be a qualified accountant, strong in manufacturing, costing and systems. He/she will also be an able communicator, a self-starter and possess general management qualities.

Future prospects within the group are excellent. The remuneration package will include a fully expensed motor car, substantial profit share potential and comprehensive pension arrangements. Relocation assistance is available where necessary.

Interested applicants should send, in complete confidence, a detailed curriculum vitae including current salary and daytime telephone number to Phillip Price ACA, quoting reference LM835 at Touche Ross Executive Selection, Leda House, Station Road Cambridge, CB1 2RN. Telephone: (0223) 460222.

Touche Ross
MANAGEMENT CONSULTANTS

FINANCE DIRECTOR DESIGNATE

An excellent opportunity has arisen in an exciting and fast moving environment for an experienced Finance Director.

- **The Company**
  - Wholesale food and wine importer and distributor to the food service industry.
  - Based in Leeds with depots in Scotland and South East England.
  - Looking to develop and expand.
- **The Position**
  - Total responsibility for all administrative and financial control of the group.
  - Review and improve administration control and reporting systems to help improve profitability.
  - Ad hoc projects.
  - Analysis of business performance and financial planning.
  - Report directly to Managing Director.
- **Qualifications**
  - Qualified accountant who is commercially orientated.
  - Good communication and management skills.
  - Ambitious with a 'hands-on' style and able to motivate.
  - Experienced in computer based systems.
  - Experience in the Distribution business preferable but not essential.

Please write, enclosing full CV to: Mrs D Thompson
T & L (Fine Food & Wine) Limited
Braithwaite Street, LEEDS LS11 9XE

HERTS — **£40,000 + CAR**

Group Finance Director Designate

This independent £110m turnover Group with major interests in motor distribution and property, together with services and manufacturing industry investments, is looking to recruit a Group Finance Director as a result of a recent promotion.

A graduate and a qualified chartered accountant aged in his/her late 20's or 30's, who is either looking to move into industry from one of the major accountancy practices or already has proven relevant industry experience. A challenging opportunity to be part of a small executive team and become directly involved in improving group financial discipline and development. As an individual you should be analytical, personable, an excellent communicator and self motivator.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to John Elliott, Coopers & Lybrand Deloitte Executive Resourcing Ltd, 43 Temple Row, Birmingham B2 5JT, quoting reference JE203.

Coopers & Lybrand Deloitte | Executive Resourcing

SHEPHERD NEAME
Master Brewers since 1698

Finance Director

c.£50,000 + Car **Faversham**

▪ Shepherd Neame Ltd is a long established and well respected family brewing and retail business. Turnover approaches £30m and the company owns some 300 pubs in the South East of England.

▪ Following a period of substantial expansion, a Finance Director is required to head up the finance function with particular emphasis on the development of management information, budgeting and treasury management. In addition the individual will be expected to play a key role in financial decision making at board level.

▪ In the 35-45 age range, candidates should be qualified accountants with line experience gained within a process or retail environment. Knowledge of the brewing industry would be ideal. The successful candidate will be a good staff manager, have a hands-on attitude, persuasive personality, and the ability to operate effectively within a family run environment.

▪ A relocation package is available if appropriate.

▪ **Please send career and personal details with current salary quoting Reference CA322 to Carrie Andrews, adviser to the company, at Ernst & Young Corporate Resources, 21 Conduit Street, London W1R 9TB.**

ERNST & YOUNG

MANAGEMENT ACCOUNTANT LONDON FUND MANAGERS

Package to £35,000 plus mortgage subsidy

My client is one of the UK's leading investment managers with an enviable record in recent years.

Promotion has created this opportunity for a young qualified accountant to take charge of a small team with day to day responsibility for financial management control and for producing regular management information. Initiative is encouraged as is the pursuit of career progression.

Applicants must be qualified accountants, probably aged under 30, with experience of managing and developing a pro-active team outside of a professional accountancy firm. The remuneration package contains a substantial, performance related bonus and a valuable mortgage subsidy.

If this opportunity is of interest please write, in confidence to:
Douglas G Mizon FCA, FIMC,
Arlingham House, St. Albans, South Mimms,
Herts EN6 3PH or fax your c.v. on 0707 49266.

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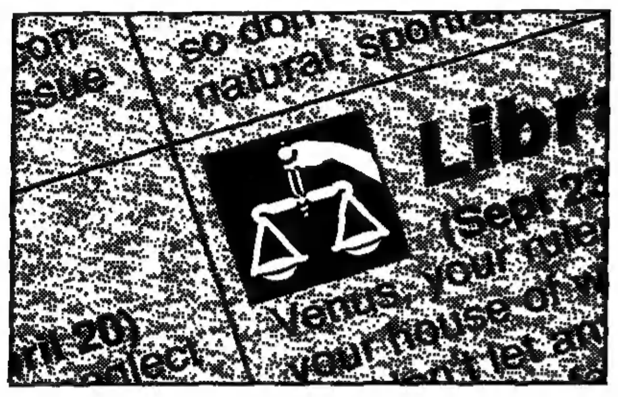

MASTERCARE
Putting Customers First

Financial Controller

Hemel Hempstead **To £28,000 + Bonus + Car**

With a turnover of £50 million, Mastercare provides a highly sophisticated nationwide service and support facility to the Dixons Stores Group. Operating through a multi-site network, standards are high and performance is measured against exacting targets. The company is entering a period of significant change with a newly established Board that is increasing the breadth of services and giving improved efficiency and profitability to the group.

Recent promotion has now created an opportunity for an individual to assume an unusually broad and influential role. Supported by a small team, and interacting with operational site management, your brief will be to:

- Translate sales data into realistic job volume forecasts which will form the basis for budgeting and short term planning.
- Ensure the timely production of statutory, management and cost centre accounts.
- Appraise and review capital expenditure proposals and monitor such expenditure.

Reporting to the Financial Director, this is a strategic role calling for initiative and strength of character as you will be responsible for introducing and implementing new financial systems and controls. The position represents an exceptional opportunity for an academically accomplished qualified accountant, ideally ACA, seeking to build upon circa 2 years' PQE. The role demands commercial flair and previous exposure to planning, probably gained from within a high-volume environment such as manufacturing, fmcg or a related service industry.

This highly visible position offers a rare opportunity to make a substantial impact in a major organisation and promises genuine prospects for further career advancement, both within the company and the Dixons group. The competitive salary is supported by a comprehensive benefits package that includes a company car, bonus, private health and pension scheme.

Written applications only should be sent to Mr John Francis, Personnel Director, Mastercare, Maylands Court, Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 7DE. No agencies please

FINANCE DIRECTOR (DESIGNATE)

Central Scotland **to £45k + Bonus + Benefits + Share Options**

Our client is in technology based products and systems. World sales substantially exceed £15m and there are plans for ambitious expansion.

The Managing Director seeks an exceptionally effective senior financial manager to re-vitalise the finance function. Prime tasks are to:

- ☐ contribute positively to the Board and Management Committee;
- ☐ develop management reports giving maximum understanding through minimum data;
- ☐ complete the installation of new accounting systems;
- ☐ ensure prompt financial/management reporting by business units; and
- ☐ minimise working capital employed and optimise cashflow.

The role demands strength of purpose, diplomacy, and the ability to influence opinion. Candidates earning less than £35k (or equivalent outside Scotland) are unlikely to be ready for this challenge. The ideal candidate:

- ☐ aged early to mid thirties and have 5 years manufacturing experience (JIT, TQM, OPT, ABC)
- ☐ must have managed systems change, and have a track record of meeting urgent deadlines
- ☐ fully qualified CA/ACA/ACMA together with a first class academic and professional background.

The company is committed to growth through acquisition and offers excellent career prospects. A highly attractive remuneration package will be offered to the right candidate.

A comprehensive CV including track record achievements, with one page summary, salary details, and daytime phone number, should be forwarded to Peter Siviter, Touche Ross Executive Selection, 39 St. Vincent Place, Glasgow G1 2QQ, quoting Ref 152. Closing date for applications is Friday 19th April.

Complete confidentiality is assured.

Touche Ross
MANAGEMENT CONSULTANTS

INVESTMENT ACCOUNTING MANAGER

M3/M4 Corridor **c.£40,000 + car + benefits**

Growth has been rapid in recent years for this progressive and successful financial services group. With over £500m assets under management, a high quality and innovative range of products and a forward looking management team, our client continues nevertheless to set itself demanding targets. To meet these it places particular emphasis on the effective management of change.

The appointment of a manager to head up the investment accounting function reflects this. It is a key role requiring an innovative and proactive approach. Reporting to the Financial Controller, the successful candidate will manage a department of some 20 staff and will take responsibility for the administration and control of all the group's life, pension, unit trust and other investment funds. This will encompass fund pricing and accounting, regulatory compliance, and client and management reporting. Overlaying all this however will be the need to develop people, systems and ideas along with a commitment to quality.

Candidates are likely to be qualified accountants of graduate calibre, in the 30-35 age range. Several years experience in a related investment environment is essential, as is a well developed knowledge of the regulatory framework and relevant financial instruments. For a forward-thinking individual with personal credibility, leadership skills and the ambition to progress, the role carries a competitive salary, attractive benefits package and real opportunities for career development.

Please reply in confidence, giving concise career, personal and salary details to Paul Carvosso, quoting Ref. L577.

Egor Executive Selection
58 St. James's Street
London SW1A 1LD (071-629 8070)

EGOR EXECUTIVE SELECTION

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The Top Opportunities Page
Appears in the Financial Times every Wednesday
For further information please contact
Stephanie Spratt 071-873 4027 **Elizabeth Arthur** 071-873 3694

FINANCIAL CONTROLLER

CENTRAL LONDON

c£40,000 + CAR + PROFIT RELATED BONUS

We have been retained by a leading international public relations group to help them identify a key individual for their U.K. operation.

Reporting to the Financial Director, the Controller's main challenges will relate to the smooth running of a substantial department comprising of both qualified and unqualified staff, the production of monthly and annual accounts both for the U.S. and internal management purposes and the maintenance and improvement of accounting systems and financial controls. However, key responsibilities will also exist for profit maximisation, cash flow management and general support of the Financial Director's requirements. Familiarity with mainframe computers, accounting packages and p.c. systems will be important.

This position will prove attractive to a qualified accountant who has ideally worked in public relations, advertising or another service related environment and who has shown evidence of the ability to manage the day to day running of a sizeable accounting function.

The ability to provide a high level of motivation and guidance to staff and lead by example will be a prerequisite and it is unlikely that anyone below the age of 30 will have developed these characteristics.

The person who succeeds in this role will need an open style of management but must be capable of taking a tough stance and must be tenacious and meticulous. These qualities will certainly unlock further opportunities within this diverse group in the medium term once the goals pertaining to the role have been achieved.

In complete confidence please forward your curriculum vitae to Mark Madsen at Bond House, 19/20 Woodstock Street, London W1R 1HF.

BOND ACCOUNTANCY

RECRUITMENT CONSULTANTS
BOND HOUSE, 19-20 WOODSTOCK ST, LONDON W1R 1HF Tel: 071-629 8863

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Financial Recruitment Specialists

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

INVITE YOU TO A FREE EVENING SEMINAR

RECRUITING ACCOUNTANTS IN TODAY'S JOB MARKET

A Practical Guide to Effective Recruitment

IN LONDON ON TUESDAY 30TH APRIL 1991 AT THE SAVOY HOTEL, STRAND, LONDON WC2. 7.00PM-9.00PM, REFRESHMENTS FROM 6.30PM

IN BRISTOL ON THURSDAY 2ND MAY 1991 AT THE BRISTOL MOAT HOUSE HOTEL, VICTORIA STREET, BRISTOL. 6.30PM - 8.30PM, REFRESHMENTS FROM 6.00PM

This seminar is designed specifically for finance managers who recruit once or twice a year and is aimed at eliminating costly recruitment errors. There is a logical, pragmatic way to enhance the chances of selecting the best person for any position.

If you have ever made a recruitment mistake consider the following points:

- Did you analyse the job properly to start with, and therefore attract appropriate candidates?
- Did you use your recruiting sources with due care: briefing contacts properly and eliminating inappropriate candidates?
- Did you fail during the interview to secure the relevant information on which to base a rational and intelligent decision?
- Did you check references? How?

The seminar covers the following points:

- ANALYSING THE JOB TO BE FILLED
- PREPARING THE JOB DESCRIPTION
- RECRUITMENT ADVERTISING
- EVALUATING THE CV
- THE INTERVIEW - PROBLEMS AND PITFALLS
- HOW TO ASSESS THE CANDIDATE
- REFERENCE CHECKING
- MAKING THE OFFER

Stephen Barraclough, Finance Executive, Marks & Spencer "Refreshingly clear overview that brings you back to the basics"

Carmel Ryan, Personnel Manager, Lyons Tetley "Very useful evening, even for Personnel"

Richard Piper, Director of Financial Services, Logica "Both entertaining and informative"

Ian Freeman, Financial Controller, Black & Decker "Very good, well expressed seminar which was definitely worth attending"

Jim Whitfield, Director of Financial Services British Steel plc "Time well spent, very useful refresher course. Excellent"

Peter Knight, Group Chief Accountant, Willis Corroon "Most impressed. I look forward to the next one"

If you wish to attend the Evening Seminar in London, please write to Rachelle Nelson at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 071-836 3545.

If you wish to attend the Evening Seminar in Bristol, please write to Jackie Brassington at Robert Half, Freepost, 33 Wine Street, Bristol BS1 2QX. Telephone: 0272-252572.

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هكذا من الأصل

Financial Controller

International Trading Company

£30,000 + car + bonus potential — Central London

Key management role as chief financial officer within a UK based company with a highly entrepreneurial culture, strong track record and superb growth prospects.

THE COMPANY
- £30 million importer of quality footwear. Long established and profitable.
- Subsidiaries throughout the world including Far East and South America. New overseas operations planned.
- Stable management team. Emphasis on devolved responsibility and management development.

THE POSITION
- Lead established head office team with full responsibility for management and statutory accounting. Report directly to Chairman.
- Key budgetary and strategic planning role. Manage and develop computer systems.
- Liaise with external bodies and overseas operations. Ad-hoc investigation assignments for Chairman.

QUALIFICATIONS
- Part or fully qualified accountant, aged 27-40, with a minimum of two years' commercial experience.
- First class interpersonal skills. Must liaise effectively with non financial managers within a highly delegated, informal environment.
- Enthusiastic man manager. Able to motivate and develop a young team. "Hands on" approach with a sense of humour.

Please write, enclosing full cv, Ref K1362
54 Jermyn Street, London, SW1Y 6LX
071- 493 6392

S N R EXECUTION N — FINANCIAL RECRUITMENT

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Finance Director

Financial Services

£50,000 + Benefits — North West

A rare opportunity for a first class finance professional to achieve a major career success with a fast growing financial services operation of a high profile British group.

THE COMPANY
- Highly regarded in its sector. Provides a broad range of financial and information services.
- Impressive record of growth and profitability. Ambitious plans for expansion.
- Diverse and expanding portfolio of products and services in vibrant and competitive sector.

THE POSITION
- Member of senior management team with full responsibility for the financial strategy and management of the business.
- Implement disciplines of controllership throughout the business. Develop management information systems.
- Strong voice in overall business strategy.

QUALIFICATIONS
- Chartered Accountant, aged 32-40, successful track record in financial management in the commercial sector.
- First class controllership and computer-based systems expertise. Operating experience in financial services would be a distinct advantage.
- Excellent communication and leadership skills, self-starter and highly disciplined.

Please reply in writing, enclosing full cv.
Reference LK1471
54 Jermyn Street, London, SW1Y 6LX
071- 493 6392

S N — FINANCIAL SERVICES RECRUITMENT

LONDON • SLOUGH • BIRMINGHAM • MANCHESTER • BRISTOL • GLASGOW • ABERDEEN

Central London
DIRECTOR OF FINANCE AND ADMINISTRATION
Competitive Salary Package plus Car

Our client is part of a multi-national packaging and papermaking group. They have a £100 million turnover in Europe and a large papermaking facility in the UK. They report to a North American subsidiary of the parent group.

Reporting to the company chairman, the successful candidate, who will be London based, will be responsible for the finance and administration functions. The heaviest responsibility will be as controller although duties will include treasurer, office administrator and company secretary. There will also be a need to help the parent group with mainland Europe packaging acquisitions and, whilst not essential, a working knowledge of the French language would be useful.

Candidates will be qualified management and/or financial accountants, preferably graduates, in the age range of 35-45. Ideally they will have experience in a multi-national company where they have been exposed to overseas accounting practises.

The salary and benefits will be attractive and a quality company car is included in the package.

Please send detailed CV. Alternatively you can telephone for a career and personal history form or for a confidential discussion. (Ref: 91/4/1)

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Financial Controller

Ampleforth Abbey & College — To £30,000

Excellent opportunity for an energetic, enthusiastic and commercially minded finance professional to contribute to and influence the financial development of this Roman Catholic Abbey and leading independent Boarding School. The appointment is situated on a large estate in a scenically beautiful part of rural North Yorkshire.

THE POSITION
- A new appointment reporting to the Procurator.
- Responsibility for all accounting and financial controls including accurate and timely financial and management accounts, budgets, capital expenditure, systems appraisal and enhancement.
- Responsible for the Finance Function including the development and motivation of staff.

QUALIFICATIONS
- Intelligent, pro-active, qualified accountant of graduate calibre.
- A minimum of three years experience in commerce, with the ability to control a finance function.
- Up to date knowledge of UK taxation, the raising of finance and gearing.
- Skilled in computerised systems appraisal and enhancement.
- 'Hands-on' accountant with confident and assured personality. Good communicator and team player with leadership and man-management skills.

If you are interested, please telephone Stuart Adamson FCA or Roger Webb FCA on 0532 451212 or send your CV, in confidence, quoting reference number 756, to Adamson & Partners Ltd, 10 Lisbon Square, Leeds LS1 4LY. Fax 0532 420802.

ADAMSON & PARTNERS LTD.
Executive Search and Selection

A superb opportunity for a French speaking Accountant

FINANCIAL CONTROLLER

C500,000FF + relocation — **Paris**

Our US client is one of the most successful and profitable insurance and financial service companies in the world. It operates in over 130 countries and has total assets of $50 billion.

The group is expanding rapidly on the Continent and has made a real commitment to business development in Europe during the 1990s. It currently operates in 11 European countries.

We now seek a top calibre executive to be based at the French subsidiary in Paris which has premium income in excess of $150 million pa. Responsibilities will include the financial management and control of the business and performance analysis. Initially, there will be an emphasis on improving computerised systems and procedures, internal controls and the quality and timing of financial reporting. The position also involves managing a department of 10 -12 staff and reports to the Finance Director.

This senior appointment calls for a qualified accountant, fluent in both English and French. Experience in the insurance industry is essential. Ideally supported by knowledge of US GAAP, French accounting principles and exposure to a multi-national working environment. The likely age range is 27-35.

If you would like to be considered, please send your career and current salary details, together with a daytime telephone number, to Barry C Skates at our Maidenhead office. You can telephone him for an informal discussion.

MKA EXECUTIVE SEARCH AND SELECTION LIMITED
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We're looking for experienced Financial Controllers to oversee financial performance of our franchised businesses in the Caribbean.

Your responsibilities in this senior role will include the management of all accounting and control systems, the preparation and interpretation of management accounts and the introduction of new management information systems.

Reporting directly to the General Manager, you will enjoy considerable autonomy and must be a confident communicator with a firm commitment to a policy of total quality.

You should be ACA, CIMA or ACCA qualified and must have a minimum of seven years' practical commercial experience, with at least three years in a senior management position.

If you can demonstrate sound management skills, financial flair and an entrepreneurial approach, you can look forward to an attractive tax free salary and an excellent range of benefits including free accommodation, relocation allowance, educational assistance for your children (where appropriate), an overseas medical scheme, and 42 days annual holiday.

If you would like to join a multi-national company which places a heavy emphasis on personal career development please send full career details to: Pauline Hunter, Senior Personnel Officer, BCA Headquarters, Cable and Wireless Plc., Summit House, 12 Red Lion Square, London WC1R 4QB.

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Financial Controller

— age immaterial —

S Herts — to £40,000 + car

This is the senior finance post in an independent prestigious organisation with a £10m turnover engaged in providing a range of specialist services to an important sector of industry. The organisation is undergoing a significant re-structuring as it adapts to a changing market and the Financial Controller must be responsive to this developing environment. He/she will report to the Chief Executive and be responsible for all central finance functions whilst also providing a Financial and Systems support service to the management of the core operating business. He/she will be supported in these tasks by a small well established accounting and systems staff. This is very much a hands-on job calling for a breadth of experience that embraces consolidations, statutory accounting, budgeting, computerised accounting systems and performance reporting. Applicants must be members of one of the senior accountancy bodies and combine a commercial awareness with a commitment to strong financial disciplines. Ref: 1720/FT. Send CV (with current salary and daytime telephone number) or write or 'phone for an application form to R A Phillips ACIS, FCII, 2-5 Old Bond Street, London W1X 3TB. Tel: 071-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

The BODY SHOP
Skin & Hair Care Preparations

Franchise Finance Manager

Every company is no more than the sum of its staff. At The Body Shop, we recognise that our employees are the reason why we are one of the most successful retailers in the U.K. Our staff are energetic, enthusiastic and committed to a better way of doing business; they value honesty; integrity and concern for one another – and the world around us.

We are looking for a qualified accountant, reporting to our General Manager – UK Franchising, to monitor, analyse, report and forecast the financial performance of the company's U.K. franchise business, and provide all-round financial advice and assistance to franchisees. UK franchised outlets number some 135.

With sound commercial experience, though not necessarily in retailing, the successful candidate should be management calibre and have a good knowledge of PC spreadsheets/database applications. Sharing the values of the company, the ideal applicant will probably be in their early to mid 30's, and possess excellent interpersonal and communication skills.

This position is based at The Body Shop's head office in Littlehampton, and on offer is a competitive salary and comprehensive reward package. Closing date for applications 18 April 1991. To apply, please write with c.v. including current salary, to Sue Cable, Company Relations Manager, The Body Shop International PLC, Hawthorn Road, Littlehampton, West Sussex.

FINANCIAL MANAGER

NEGOTIABLE REMUNERATION PACKAGE — GERMANY

Our client is a rapidly expanding subsidiary of an International Group, and has an annual turnover of DM200 million. The company is market leader in Germany in the manufacture and distribution of a range of consumer durable products. In planning for future growth, the company is making a substantial investment in expanding its production capacity, increasing market support for its products and installing advanced data processing facilities.

A key element of the company's plan for future growth is the appointment of a Financial Manager to the management team. The successful candidate will be responsible for all aspects of financial and management reporting, financial planning, development of data processing systems, taxation and credit control. As a member of the management team the Financial Manager will make a significant contribution to the formulation of commercial strategies, business plans, performance analysis and controls to ensure a continuation of controlled profitable growth.

Candidates will be qualified accountants (aged 30 - 40) with a successful background gained in a manufacturing/production environment and with strong financial control and communication skills.

Fluency in German or a strong commitment to learn German within a short time period is an essential requirement for this position.

An attractive remuneration package will be offered to the successful candidate and will not be a limiting factor for this position.

Applications (setting out personal, career and salary details), which will be forwarded directly to our client, should be sent to:

R.G.Linger
Arthur Andersen
1 Surrey Street
London WC2R 2PS

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Director of Finance

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* *service the Resource Planning and Finance Committee*
* *provide information and advice to management*
* *manage the treasury function, accounting and payroll systems*
* *serve as an ex-officio Pension Scheme Trustee.*

Professional accountants with good supervisory skills, computing knowledge and the ability to communicate financial management techniques to department heads should forward CVs to: Peter Richardson, Personnel Officer, RIBA, 66 Portland Place, London W1N 4AD.

Closing date for applications 12th April 1991.